



MR. G. K. GOKHALE IN INDIA.

SPEECHES
of
GOPAL KRISHNA GOKHALE

SECOND EDITION

RUPEES THREE
G. A. NATESAN & CO.
MADRAS

I recognize no limits to my aspiration for our Motherland. I want our people to be in their own country what other people are in theirs. I want our men and women, without distinction of caste or creed, to have opportunities to grow to the full height of their stature, unhampered by cramping and unnatural restrictions. I want India to take her proper place among the great nations of the world, politically, industrially, in religion, in literature, in science and in arts. I want all this and feel at the same time that the whole of this aspiration can, in its essence and its reality, be realized within this Empire.—Speech at Allahabad, 4th February 1907.

PREFACE.

The first edition of the "Speeches and Writings of Gopal Krishna Gokhale" was published by me in 1908. The idea of publishing a second edition was matured a few months before his death, and Mr. Gokhale himself was to have selected the matter. But that was not to be, and I have been denied the privilege of presenting him with a copy of this volume.

Every endeavour has been made to make this collection comprehensive and up-to-date. The full text of all his speeches in the Imperial Legislative Council has been given. To prevent the volume from assuming an inordinate size some matter had to be omitted. But nothing of any interest has been sacrificed. The omissions, which are few in number, are earlier utterances which speeches of a later date have superseded.

The first part includes all his utterances in the Supreme Legislative Council; the second and third parts contain his important Congress speeches and his notable utterances on the South African Indian question; in the fourth part we have his speeches in appre-

ciation of Mr. A. J. Hume, Lord Northbrook, Mr. Dadhabhai Naoroji, Mr. Mahadev Govind Ranade, Mr. W. C. Bonnerjee, Sir P. M. Mehta, Sir William Wedderburn, and others; the fifth part comprises a selection of miscellaneous speeches delivered in England and India. The sixth part contains his Evidence before the Welby Commission and the full text of the Note prepared by him for the Royal Commission on Decentralisation. In the Appendix will be found his paper on "East and West in India," read at the Universal Races Congress, and the Constitution of the Servants of India Society founded by him in 1905.

These speeches cover thirty years of a most strenuous, selfless and active public life and embrace the whole range of topics that have engaged and are still engaging the attention of the public. Full of instruction on every point and breathing in every line the moral fervour which was Mr. Gokhale's supreme characteristic, this volume, I venture to hope, will command wide popularity.

G. A. NATESAN.

Feb., 1916.

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PART I.

COUNCIL SPEECHES

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SPEECHES DELIVERED IN

THE IMPERIAL LEGISLATIVE COUNCIL.

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BUDGET SPEECH, 1902.

[This is the Hon. Mr. G. K. Gokhale's first Budget Speech at the Imperial Legislative Council, delivered on Wednesday, 26th March 1902, His Excellency Lord Curzon being President of the Council, and the Hon. Sir Edward Law being Finance Member.]

YOUR EXCELLENCY, I fear I cannot conscientiously join in the congratulations which have been offered to the Hon'ble Finance Member on the huge surplus which the revised estimates show for last year. A surplus of seven crores of rupees is perfectly unprecedented in the history of Indian finance, and coming as it does on the top of a series of similar surpluses realised when the country has been admittedly passing through very trying times, it illustrates to my mind in a painfully clear manner the utter absence of a due correspondence between the condition of the people and the condition of the finances of the country. Indeed, my Lord, the more I think about this matter the more I feel—and I trust your Lordship will pardon me for speaking somewhat bluntly—that these surpluses constitute a double wrong to the community. They are a wrong in the first instance in that they exist at all—that Government should take so much more from

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the people than is needed in times of serious depression and suffering; and they are also a wrong, because they lend themselves to easy misinterpretation and, among other things, render possible the phenomenal optimism of the Secretary of State for India, who seems to imagine that all is for the best in this best of lands. A slight examination of these surpluses suffices to show that they are mainly, almost entirely, currency surpluses, resulting from the fact that Government still maintain the same high level of taxation which they considered to be necessary to secure financial equilibrium when the rupee stood at its lowest. The year when the rupee touched this lowest exchange value was 1894-95, the average rate of exchange realised in that year being only 13·1*d.* to the rupee. Government, however, had in the face of the falling rupee, resolutely maintained an equilibrium between their revenue and expenditure by large and continuous additions to the taxation of the country, and thus even in the year 1894-95, when the rupee touched its lowest level, the national account-sheet showed a surplus of seventy lakhs of rupees. From this point onwards, the currency legislation, passed by Government in 1893, began to bear fruit and the exchange value of the rupee began to rise steadily. In 1895-96, the average rate of exchange realised was 13·64*d.* and the surplus secured was 1½ crores. In 1896-97 and 1897-98, the average rate of exchange was 14·45*d.* and 15·3*d.* respectively, but the years turned out to be famine years and the second year also one of a costly frontier war necessitating extraordinary expenditure for direct famine relief and military operations of 2·1 crores in the first year and 9·2 crores in the second. The result was that 1896-97 closed with a deficit of 1·7 crores and 1897-98 with a deficit of 5·36 crores. It will, however, be seen that if

these extraordinary charges had not come upon the State, both years would have been years of surpluses, and the surplus for 1897-98 would have been close upon four crores of rupees. In 1898-99, exchange established itself in the neighbourhood of 16*d.*—the average rate realised during the year being 15 98*d.*—and the year closed with a balance of 3·96 crores of rupees, after providing a crore for military operations on the frontier—thus inaugurating the era of substantial surpluses. Now we all know that a rise of 3*d.* in the exchange value of the rupee—from 13*d.* to 16*d.*—means a saving of between four and five crores of rupees to the Government of India on their Home Charges alone, and I think this fact is sufficient by itself to explain the huge surpluses of the last four or five years. The following figures are instructive, as showing the true position of our revenue and expenditure, on the new basis of an artificially appreciated rupee —

Year.	Deficit or Surplus in crores of rupees.	Extraordi- nary charges for war and famine relief.	Total surplus but for the extra charges.	Remarks.
1897-98	.. —5 36	9·21	3·35	A year of famine & war.
1898-99	.. +3 96	1 09	5 05	Frontier operations.
1899-1900	.. +4 16	3 5	7 66	A year of famine.
1900-01	.. +2 5	6·35	8 85	Do.
1901-02	.. +7	1	8	
Total for 5 yrs.	12 26	21 15	33·41	
				or 6 68 a year.

If there had been no extra charges for war and famine, the national revenue on the basis of the new rupee would have been found to exceed the requirements of Government by about 6½ crores a year. Allowing for the savings effected in consequence of the absence of a portion of the troops in South Africa and China, as also for the

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generally reduced level of ordinary expenditure in famine times, and taking note of the fact that the opium revenue turned out somewhat better than was expected and might reasonably be relied on, we still may put down the excess of our present revenue over our present expenditure at about five crores of rupees, which is also the figure of the amount saved by Government on their Home Charges as a consequence of the exchange value of the rupee having risen from 13*d.* to 16*d.* Now, my Lord, I submit with all respect, that it is not a justifiable course to maintain taxation at the same high level when the rupee stands at 16*d.* that was thought to be necessary when it stood at 13*d.* During the last sixteen years, whenever deficits occurred, the Finance Member invariably attributed them to the falling rupee and resorted to the expedient of additional taxation, explaining that that was the only way to avoid national bankruptcy. During the first 12 years of this period, from 1885-86—when Sir Auckland Colvin told the Council in his Financial Statement almost in prophetic terms that affairs were ‘passing into a new phase,’ necessitating a reconsideration and revision of the fiscal status established in 1882—down to 1896-97, there was one continued and ceaseless struggle on the part of the Finance Department of the Government of India to maintain at all risks and hazards a ‘strong financial position’ in the face of a rapidly changing situation, and provide by anticipation against all possible dangers near and remote, fancied and real : and not a year passed—literally speaking—but heralded some change in the financial arrangements of the country. The famine grant was suspended for three successive years, 1886-87—1888-89, then reduced for two more, and permanently so in the last year of the period. Twice during these 12

years were the Provincial Contracts subjected to drastic revision (1887-88 and 1892-93), and the total gain secured to the Imperial Treasury on such revision and by a contraction of Provincial resources was full 1·10 crores (64 lakhs in 1887-88 and 46 lakhs in 1892-93). Furthermore, during the period, thrice (in 1886-87, 1890-91 and 1894-95) were the Provincial Administrations called upon to pay special contributions in aid of Imperial revenues. But the chief financial expedient employed to escape the supposed embarrassment of the time was continuous additions to the taxation of the country. Nine years out of these 12 witnessed the imposition of new taxes. First came the income-tax in 1886, and then followed in rapid succession the salt-duty enhancement of 1887-88 (June, 1888), the petroleum and patwari-taxes and extension of the income-tax to Burma in 1888-89, customs on imported liquors increased in 1889-90, the excise-duty on Indian beer in 1890-91, the import-duty on salt-fish in Burma in 1892-93, the re-imposition of the 5 per cent. *ad valorem* duties on imports, excluding cotton-goods, in 1893-94, and the extension of import-duties to cotton-goods in 1894-95. In 1896 there were changes in the tariff. The 5 per cent. import and excise duties on cotton-yarns were abolished and the import-duties on cotton-goods were reduced from 5 to $3\frac{1}{2}$ per cent.—involving a sacrifice of 50 lakhs of rupees as a concession to the clamour of Manchester, but a countervailing excise of $3\frac{1}{2}$ per cent. was imposed on cotton-goods of all counts manufactured in Indian mills. Lastly, came the imposition of countervailing duties on imports of bounty-fed sugar in 1899.

The total additional revenue raised by these measures of taxation during the past 16 years has been no less than 12·30 crores a year.

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But this is not all. The land-tax, too, has "course in its own automatic way for large augmentations during the period. Taking the ordinary revenue alone under the head, we find the increase has been 2·82 crores. One startling fact about these land-revenue collections is that during the six years from 1896-97 to 1901-02 (a period including the two greatest famines of the country) these collections actually averaged £17·43 millions a year as against £16·67 millions, the average for the six preceding years, i.e., from 1890-91 to 1895-96'

Putting these two heads together, the total augmentation of public burdens during these years comes to over 15 crores.

Such continuous piling up of tax on tax, and such ceaseless adding to the burdens of a suffering people, is probably without precedent in the annals of finance. In India it was only during the first few years following the troubles of the mutiny year that large additions were made to the taxation of the country; but the country was then on the flood-tide of a short-lived prosperity, and bore, though not without difficulty or complaint, the added burden. During the past 16 years the country has passed through a more severe phase of agricultural and industrial depression and yet it has been called upon to accept these fresh burdens—year after year—increasing without interruption, and all this with a view to ensuring and maintaining a 'strong financial position' proof against all assaults.

The broad result of this continued series of taxing measures has been *to fix the taxation of the country at a level far above the actual needs of the situation.* And it is the *fiscal status* so forced up and maintained, and not a normal expansion of revenue, that has enabled the financial administration during all these trying years not only to meet

out of current revenues all sorts of charges, ordinary and extraordinary, but to present at the close of the period abounding surpluses which the richest nation in Europe might well envy.

A taxation so forced as not only to maintain a *budgetary equilibrium* but to yield as well 'large, continuous, progressive surpluses'—even in years of trial and suffering—is, I submit, against all accepted canons of finance. In European countries, extraordinary charges are usually met out of borrowings, the object being to avoid, even in times of pressure, impending the even, normal development of trade and industry by any sudden or large additions to the weight of public burdens. In India, where the economic side of such questions finds such scant recognition, and the principle of meeting the charges of the year with the resources of the year is carried to a logical extreme, the anxiety of the Financial Administration is not only to make both ends meet in good and bad years alike, but to present large surpluses year after year. The Hon'ble Finance Member remarks in his Budget Statement under 'Army Services':

It must be remembered that India is defraying from revenues the cost of undertaking both re-armament and the reform of military re-organisation in important departments. I believe that this is an undertaking which has not been attempted by other countries without the assistance of loans in some form or other. Even in England, extraordinary military requirements for fortifications and barracks have been met by loans for short terms of years repayable by instalments out of revenues. If profiting by a period of political tranquillity we can accomplish this task without the raising of a loan and the imposition of a permanent burden on future generations, I think that we shall be able to congratulate ourselves on having done that which even the richest nations of Europe have not considered it advisable to attempt.

Every word of this citation invites comment. How comes it that India is doing in regard to these extraordinary

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charges that which even the richest nations of Europe have not considered it advisable to attempt? The obvious answer is that in those countries it is the popular assemblies that control taxation and expenditure: in India the tax-payer has no constitutional voice in the shaping of these things. If we had any votes to give, and the Government of the country had been carried on by an alternation of power between two parties, both alike anxious to conciliate us and bid for our support, the Hon'ble Member would assuredly have told a different tale. But I venture to submit, my Lord, that the consideration which the people of Western countries receive in consequence of their voting power should be available to us, in matters of finance, at any rate, through an 'intelligent anticipation'—to use a phrase of Your Lordship's—of our reasonable wishes on the part of Government.

But even thus—after doing what the richest nations of Europe shrink from attempting—meeting all sorts of extraordinary charges, amounting to about 70 crores in sixteen years out of current revenues—we have 'large, continuous, progressive surpluses,' and this only shows, as Colonel Chesney points out in the March number of the *Nineteenth Century and After*, that more money is being taken from the people than is right, necessary or advisable, or, in other words, the weight of public taxation has been fixed and maintained at an *unjustifiably* high level. Taxation for financial equilibrium is what we all can understand, but taxation kept up in the face of the difficulties and misfortunes of a period of excessive depression, and for 'large, continuous and progressive surpluses' is evidently a matter which requires justification. At all events, those who have followed the course of the financial history of the period will admit that the fact viewed *per se*

that 'such large, continuous and progressive surpluses' have occurred during the period—as a result not of a normal expansion of fiscal resources but of a forced up and heavy taxation—does not connote, as Lord George Hamilton contends, an advancing material prosperity of the country or argue any marvellous recuperative power on the part of the masses—as the Hon'ble Sir Edward Low urged last year. To them, at any rate, the apparent paradox of a *suffering country* and an *overflowing treasury* stands easily explained and is a clear proof of the fact that the level of national taxation is kept unjustifiably high, even when Government are in a position to lower that level.

This being my view of the whole question, it was to me, I need hardly say, a matter of the deepest regret that Government had not seen their way, in spite of four continuous years of huge surpluses, to take off a portion at any rate of the heavy burdens which had been imposed upon the country during the last sixteen years. Of course the whole country will feel grateful for the remission of close upon two crores of the arrears of land-revenue. The measure is a bold, generous and welcome departure from the usual policy of clinging to the arrears of famine times, till a portion of them has to be abandoned owing to the sheer impossibility of realising them, after they have been allowed to hang over the unfortunate raiyat's head, destroying his peace of mind and taking away from him heart and hope. The special grant of 40 lakhs of rupees to education will also be much appreciated throughout the country. But my quarrel is with the exceedingly cautious manner—a caution, I would venture to say, bordering on needless timidity—in which my Hon'ble friend has framed the Budget proposals for next year. Why should he, with four continuous years of fat surpluses to guide him,

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and no special cloud threatening his horizon, budget for a surplus of only $1\frac{1}{4}$ crores, when three times the amount would have been nearer the mark and that, again, as calculated by a reasonably cautious standard? If he had only recognised the ordinary facts of our finance, as disclosed by the surpluses of the last four years, he would have, among other things, been able to take off the additional 8 annas of salt-duty, raise the taxable minimum of the income-tax to at least Rs. 1,000 a year, abolish the excise-duty on cotton goods and yet show a substantial surplus for the year. And, my Lord, the reduction of taxation in these three directions is the very least that Government could do for the people after the uncomplaining manner in which they have borne burden after burden during the last sixteen years. The desirability of raising the exemption limit of the income-tax has been frequently admitted on behalf of Government, and, amongst others, by yourself in Your Lordship's first Budget Speech. The abolition of the excise on cotton-goods is urgently needed not only in the interests of the cotton-industry, which is at present in a state of dreadful depression, in large measure due to the currency legislation of Government, but also as an act of the barest justice to the struggling millions of our poor, on whom a portion of the burden eventually falls, who have been hit the hardest during recent years by famine and plague, by agricultural and industrial depression and the currency legislation of the State, and who are now literally gasping for relief. In this connection I would especially invite the attention of Government to a speech delivered at the annual meeting of the Bombay Chamber of Commerce by my friend the Hon'ble Mr. Moses—a by no means unfriendly critic of Government, and one who enjoys their confidence as also

that of the public. Mr. Moses in that speech describes with much clearness and force the great injury which the currency legislation of Government has done to our rising cotton-industry. That industry, he tells us, has now 'reached the brink of bankruptcy,' no less than fourteen mills being about to be liquidated, and some of them, brand new ones, being knocked down to the hammer for a third only of their original cost. Mr. Moses also speaks of the severely adverse manner in which the new currency has affected the economic position of the mass of our countrymen. As regards the reduction of salt-duty, I do not think any words are needed from any one to establish the unquestioned hardship which the present rate imposes upon the poorest of the poor of our community. Government themselves have repeatedly admitted the hardship; but in these days, when we are all apt to have short memories, I think it will be useful to recall some of the utterances of men responsible for the Government of India in the matter. In 1888, when the duty was enhanced, Sir James Westland, the Finance Member, speaking on behalf of the Government of India, said — "It is with the greatest reluctance that Government finds itself obliged to have recourse to the salt-duty." Sir John Gorst, Under-Secretary of State for India, speaking a few days later in the House of Commons, referred to the matter in similar terms of regret. Lord Cross, then Secretary of State for India, in his Despatch to the Government of India, dated 12th April, 1888, wrote as follows :

I do not . . . propose to comment at length on any of the measures adopted by your Government except the general increase in the duty of salt. While I do not dispute the conclusion of your Government that such an increase was, under existing circumstances, unavoidable, I am strongly of opinion *that it should be looked upon as temporary and that no effort should be spared to reduce the general duty as speedily as possible to the former rate.*

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His Lordship further urged upon the attention of the Government of India the following weighty Considerations on the point :—

I will not dwell on the great regret with which I should at any time regard the imposition of additional burdens on the poorest classes of the population, through the taxation of a necessary of life ; but, apart from all general considerations of what is in such respects right and equitable, there are, as Your Excellency is well aware, in the case of the salt-duty in India, weighty reasons for keeping it at as low a rate as possible. The policy enunciated by the Government in 1877 was to give to the people throughout India the means of obtaining an unlimited supply of salt at a very cheap rate ; it being held that the interests of the people and of the public revenue were identical, and that the proper system was to levy a low duty on an unrestricted consumption. The success of that policy hitherto has been remarkable ; while the duty has been greatly reduced, the consumption through this and other causes has largely increased..... The revenue is larger now than it was before the reforms commenced in 1877, and I see no reason to doubt that the consumption will continue to increase, if it be not checked by enhancement of the tax. .

Speaking again at a public meeting in England, Lord Cross took occasion to repeat his views that ' he was convinced that *the earliest occasion should be taken to abrogate the increase in the salt-tax* ' (February 28, 1889). In March of the same year, Sir David Barbour, speaking in the Viceregal Council with special reference to a proposal for the abolition of the income-tax, observed :—

I think it would be an injustice so gross as to amount to a scandal if the Government were to take off the income-tax while retaining the salt-duty at its present figure.

In 1890 Sir John Gorst, in his speech on the Indian Budget in the House of Commons (August 14, 1890), remarked : ' *the tax (on salt) was no doubt a tax which ought to be removed and would be removed as soon as it should be financially possible to do so.* ' Similarly, Lord George Hamilton himself, in a speech on the Indian Budget Statement in the House of Commons (September 4, 1895) emphasized the necessity for reducing the salt-duty as early as possible pointing out that no other tax pressed so heavily on the

Indian people. In view of these repeated declarations, it is a matter for great surprise, no less than for intense regret and disappointment, that Government have not taken the present opportunity to reduce a rate of duty, admittedly oppressive, on a prime necessary of life, which, as the late Professor Fawcett justly urged should be 'as free as the air we breathe and the water we drink.' It may be noted that the consumption of salt during the last fourteen years has been almost stationary, not even keeping pace with the normal growth of population—showing a rise of less than 6 per cent. in fourteen years against a rise of 18 per cent. in four years following the reduction of duty in 1882—and that the average consumption of the article in India is admittedly less than is needed for purposes of healthful existence.

My Lord, the obligation to remit taxation in years of assured surpluses goes, I believe, with the right to demand additional revenues from the people in times of financial embarrassment. A succession of large surpluses is little conducive to economy and is apt to demoralise even the most conscientious Governments by the temptation it offers for indulging in extravagant expenditure. This is true of all countries, but it is specially true of countries like India where public revenues are administered under no sense of responsibility, such as exist in the West, to the governed. A severe economy, a rigorous retrenchment of expenditure in all branches of the Administration, consistently, of course, with the maintenance of a proper standard of efficiency, ought always to be the most leading feature—the true governing principle—of Indian finance the object being to keep the level of public taxation as low as possible, so as to leave the springs of national industry free play and room for unhampered movement. Such a

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course is also imperatively demanded by the currency policy which has been recently adopted by Government. That policy has, ^{at} no doubt, given the country a stable exchange and brought relief to the Finance Member from his usual anxieties, but when the final adjustment of prices takes place, as is bound sooner or later to happen, it will be found that a crushing burden has been imposed upon the vast majority of taxpayers in the country. It is true that general prices have not been as quick to adjust themselves to the new artificially appreciated rupee, as the rupee itself has been to respond to the restrictions put upon its production. This was, however, to be expected, as the force of tradition in a backward country like India was bound to take time to be overcome. Famine conditions during the last few years also retarded adjustment, but there is no doubt that there would be a general fall of prices sooner or later corresponding to the artificial appreciation of the rupee. And when that happens, Government will be taking about 40 per cent. more in taxation from producers in this land and paying to its servants a similarly augmented remuneration. This will be a terrible burden for the masses of the country to bear. Already, during the last few years of famine, they have had to suffer most serious losses in converting their stock of silver into rupees when the rupee had grown dearer, but its purchasing power had not correspondingly increased. When the expected adjustment of general prices takes place, one curious result of it will be, the Government will have made a present to money-lenders of about 40 per cent. of the loans which these money-lenders have made to agriculturists—a result which surely Government could never have desired. In view of the great injury which the currency policy of Government has thus done and

will do as its results unfold themselves more and more to the agriculturists and other producers of this country, I submit Government are bound to make to them such slight reparation as is possible by reducing the level of taxation as low as circumstances may permit.

My Lord, in considering the level of taxation in India and the administration of the revenues so raised, it is, I think, necessary to bear in mind two root facts (1) that it is the finance of a country, a considerable part of whose revenues is, by reason of its political and military necessities, spent outside its borders and *ipso facto* brings no commercial equivalent to the country; and (2) that it is the finance of a country which is not only 'poor, very poor,' as Lord George Hamilton admits, but the bulk of whose population is daily growing poorer under the play of the economic forces which have been brought into existence by British rule. It is true that the fact of this growing poverty of our people finds no official recognition, and we have even assurances from the highest quarters of her advancing prosperity. With all due deference, however, I venture to submit that we, who live in the midst of the hard actualities of a hard situation, feel that any such comforting views of the condition of the Indian people are without warrant in the facts of the case and we deem it our duty to urge, on behalf of the struggling masses no less than in the interests of good administration, that this fact of a deep and deepening poverty in the country should be frankly recognised, so that the energies of the Government might be directed towards undertaking remedial measures. The Hon'ble Finance Member sees in last year's Customs returns a sign of the advancing prosperity of the people. Now, apart from the fact that it is unsafe to draw conclusions from the returns for any single year,

since the imports of particular years often only technically belong to that year, there is, I submit, nothing in the returns of last year to bear out my Hon'ble friend's contention. The bulk of our countrymen, whose economic condition is the point at issue, have nothing to do with the imports of sugar or cotton manufactures, which now are practically only the finer fabrics. The silver imported also could not have concerned them since last year was a famine year, and the poorer classes, instead of buying any silver, parted over large areas with the greater portion of what they possessed. The increase in the imports of petroleum only means the larger replacement of country-oil by petroleum—a thing due to the enterprise of certain English companies that sell petroleum in this country and the opening up of new tracts by railways. Petroleum is also in some places now being used for cooking purposes in place of fuel. I do not think, therefore, that the Hon'ble Member is justified in drawing from last year's Customs returns the conclusion which he draws from them. The growth under Land-revenue, Excise and Stamps is sometimes mentioned as indicating increasing prosperity. But the growth of Land-revenue is a forced compulsory growth. It is a one-sided arrangement, and the people have either to pay the increased demand or give up their land and thereby part with the only resource they have. The growth of Excise-revenue, to the extent to which it is secured by increased consumption, only shows that the operations of the Abkari Department, with its tender solicitude for the interest of the legitimate consumer—a person not recognised by the State in India in pre-British times—are leading to increased drunkenness in the land. This, of course, means increased misery and is thus the very reverse of an indication of increasing prosperity.

Liquor is not like ordinary articles of consumption, which a man buys more or less as his means are larger or smaller. When a man takes to drink, he will go without food, and will sacrifice wife and children, if necessary, but he will insist on satisfying his craving for the spirituous poison. Similarly, an increase of revenue under Stamps only means an increase in litigation, which undoubtedly shows that the people are quarrelling more, but which is no proof of their growing riches. No, my Lord, the only taxes whose proceeds supply any indication of the material condition of the people are the income-tax and the salt-tax—the former, roughly speaking, for the middle and upper classes and the latter for the masses. Now, the revenue under both these heads has been more or less stationary all these years, and the salt-revenue has not even kept pace with the normal growth of the population. They, therefore, lend no support to the contention that the people are advancing in material prosperity.

My Lord, Your Lordship was pleased to deal with this question at some length in the Budget discussion of last year, and, after analysing certain figures, Your Lordship expressed the opinion that the ‘movement is, for the present, distinctly in a forward and not in a retrograde direction.’ The limitations of the method adopted in that investigation were, however, frankly recognised by Your Lordship. I think, my Lord, the attempt to determine the average income per head for a given population is useful only for the purpose of obtaining a statistical view of the economic condition of that people. And from this point of view, our average income, whether it works out to Rs. 18 or Rs. 20 or Rs. 27 or Rs. 30 per head, is exceedingly small and shows that we are an exceedingly poor people. But when these calculations are used for taking a

dynamical view of the economic situation, the method is open to serious objection, as the necessarily conjectural character of many of the data renders them of little value for such a purpose. But, though the determination of the average income per head in a manner satisfactory to all is an impossible task, there is, I submit, ample evidence of another kind which can help us to a correct understanding of the problem. And this evidence, I venture to say, points unmistakably to the fact that the mass of our people are not only not progressing, but are actually receding in the matter of material prosperity. I have here certain tables,* compiled from official publications, relating to (1) census returns, (2) vital statistics, (3) salt consumption, (4) the agricultural out-turn of the last sixteen years, (5) cropped area in British India, (6) area under certain superior crops, and (7) exports and imports of certain commodities, and they establish the following propositions :—

(1) that the growth of population in the last decade has been much less than what it should have been, and that in some Provinces there has been an actual decline in the population ;

(2) that the death-rate per *mille* has been steadily rising since 1884, which points to a steadily increasing number of the people being under-fed ;

(3) the consumption of salt, which already in this country is below the standard required for healthy existence, has not kept pace with even this meagre growth of population ;

(4) that the last decade has been a period of severe agricultural depression all over India ;

(5) that the net cropped area is diminishing in the older Provinces ;

(6) that the area under superior crops is showing a regrettable diminution ;

* *Vide* Appendix II.

(7) the export and import figures tell the same tale, viz., that the cultivation of superior crops is diminishing. Cattle are perishing in large numbers.

The losses of the agricultural community, owing to the destruction of crops and cattle and in other ways during the famines of the last five years, have been estimated at something like 300 crores of rupees. There is, again, indisputable evidence as to the fast-proceeding exhaustion of the soil through continuous cropping and for the most part unmanured tillage. Sir James Caird wrote strongly on the point, remarking :

Crop follows crop without intermission, so that Indian agriculture is becoming simply a process of exhaustion.

Dr. Voelcker expressed a similar view. The indebtedness of the agricultural classes is also alarmingly on the increase. Mr. Baines, writing about the North-Western Provinces and Oudh, says :—

Of the peasantry, it is estimated that nearly three-fourths have to go to the money-lender to enable them to tide over the interval between the spring and the autumn season.

As regards Bombay, the MacDonnel Commission write :—

At least one-fourth of the cultivators in the Bombay Presidency have lost possession of their lands, less than a fifteenth are free from debt and the remainder are indebted to a greater or less extent.

Similar evidence, I believe, is forthcoming about the Punjab and the Central Provinces.

These and similar facts, taken cumulatively, lead, and lead irresistably, to the conclusion that the material condition of the mass of the people in India is steadily deteriorating, and I grieve to say that the phenomenon is the saddest in the whole range of the economic history of the world. Here is a peasantry which, taken all in all, is inferior to no other people in industry, frugality and

patient suffering. It has enjoyed the blessing of uninterrupted peace for half a century, and at the end of the period the bulk of them are found to be in a worse plight than they have ever been in. I submit, my Lord, that a fact, so startling and so painful demands the earnest and immediate attention of Government, and I venture to believe that Government cannot afford to put off facing the situation any longer. An enquiry into the condition of a few typical villages has been suggested, and, if undertaken, will certainly clear many of the prevailing misapprehensions on the subject. It is urged on behalf of Government that no such inquiry is needed, because similar inquiries have been already made in the past. There is no doubt that inquiries of some sort have been made, and Government have in their possession a large body of valuable information on the subject—information which unfortunately they insist on withholding from the public. Why this should be so is difficult to understand as the field is exclusively economic and Government ought to welcome the co-operation of non-official students of the subject in understanding and interpreting the economic phenomena of the country. I venture to think that if the papers connected with the Cromer inquiry of 1882, the Dufferin inquiry of 1887-88 and the confidential inquiry undertaken in 1891-92 were published, much valuable assistance would be afforded to the public by Government. The same remark applies to the statistical memorandum and notes on the condition of lower classes in the rural parts furnished to the Famine Commission of 1898 by the Provincial Governments, the official memorandum referred to by Your Lordship in the Budget discussion of last year, 'worked out from figures collected for the Famine Commission of 1898,' the Appendices to the Report of the

Famine Commission of 1901 and the official Memorandum on agricultural indebtedness referred to by the present Lieutenant-Governor of the Punjab in his speech on the Punjab Land Alienation Bill—all of which documents have been kept confidential without any intelligible excuse. I think Your Lordship will have done much to bring about a truer appreciation of the economic situation in the country, if you will see your way to publishing these valuable papers and documents, which there is really no reason for withholding from the public.

My Lord, I have so far tried to show (1) that the huge surpluses of the last four years are in reality only currency surpluses; (2) that the taxation of the country is maintained at an unjustifiably high level and ought to be reduced; and (3) that India is not only a 'poor, very poor' country, but that its poverty is steadily growing, and in the administration of its finances, therefore, due regard must always be had to this central, all-important fact. Since the close of the beneficent Viceroyalty of Lord Ripon, however, our finances have been so managed as to lend support to the view that other interests take precedence of Indian interests in the administration of Indian revenues. Thus large sums have been spent out of our meagre revenues on conquest and territorial expansion, which have extended England's dominion but have brought no benefit to the people of India. The English mercantile classes have been conciliated by undertaking the construction of railways on an unprecedentedly large scale—programme following programme in breathless succession—sometimes in spite of the protests of the Finance Member—a policy which, whatever its advantages, has helped to destroy more and more the few struggling non-agricultural industries that the country possessed and throw a steadily increasing

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number on the single precarious resource of agriculture. And this railway expansion has gone on while irrigation, in which the country is deeply interested, has been more or less neglected. The interests of the services were allowed to prevail, first, in the concession made to uncovenanted Civilians enabling them to draw their pensions at the high rate of 1s 9d. a rupee, and then in the grant of exchange compensation allowance to all European officers, civil and military. Military expenditure has grown by nearly 6·5 crores a year during the period, and will increase by 1½ crores more on account of the new increase in the European soldier's pay, and the burden of Home Charges has grown by over 3 millions sterling. And all this while the expenditure on education from Provincial Revenues rose only by a paltry 20 lakhs or so, and domestic reforms in other directions have been neglected to a greater or less extent. There has been much talk about the growing indebtedness of the agricultural population, but no remedial action of a really helpful character, involving any outlay on the part of the State, has been undertaken. Happily, a change for the better again seems to have come upon the Government during the last three years. Your Excellency has placed the Frontier question on a satisfactory basis, and this is all the more remarkable because a certain vigorous speech of Your Lordship's delivered long before there was any idea of your being entrusted with the highest office in this country, had seemed to commit Your Lordship to the views of the Forward School. The recent Resolution on the land question, however, one may disagree with the controversial part of it, is conceived in a spirit of large-hearted sympathy with the struggling poor, and if the generous principles that it lays down for the future guidance of Local Governments are loyally carried out, they will win for the Govern-

ment the deep gratitude of the people. In this connection I may venture to state that, so far as my Presidency is concerned, the Supreme Government has admitted the correctness of most of our contentions. Thus it is admitted that the pitch of assessment is too high in Gujarat. In the matter of revision enhancements, it is frankly stated that deviations from the rules have occurred in the past. In paragraph 37 it is strongly urged that in tracts where agricultural deterioration has, owing to whatever causes, taken place, there ought to be reduction of the State demand as a necessary measure of relief; and it is freely admitted that 'there have been cases in which a reduction was not granted till the troubles of the people had been aggravated by their efforts to provide the full fixed demand.' Lastly, greater elasticity is now promised in revenue-collection, facilitating its adjustment to the variations of the seasons and the circumstances of the people. After these frank admissions and generous assurances, it is somewhat interesting to recall a speech of the Revenue Member of the Bombay Government delivered two years ago in the Bombay Legislative Council, in which he told us in reply to our suggestion that the principle of individual inquiry should be abandoned in respect of areas where the crop-failure was general, that a contract was a contract, and that, though Government chose to help those whom it considered most in need of relief, no one could claim such relief as a matter of course. As regards irrigation, it is clear that its claims will receive fair recognition at Your Lordship's hands in the near future. The questions of Police Reform, of Provincial Finance, Agricultural Banks and of Primary, Industrial and Agricultural Education are all evidently receiving Your Excellency's earnest attention. One feels that there is something in the air which indicates

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that, after sixteen years, questions of domestic reform will once more resume their proper place in the councils of the Government of India, and the heart owns to a strange flutter of hope, not unmingled with a fear of disappointment, because three years of Your Lordship's term are gone and no one can say how much may be actually accomplished in the two that remain. My Lord, the country is confronted with an economic crisis of unparalleled severity and no mere half-measures will be found to be of much avail. Not 'efficiency' merely, but 'bold and generous statesmanship' must now be written on the slate of the Indian Viceroy. If Prussia could in the course of the last century raise its serf-population to the position of a strong and flourishing peasantry, I do not see why English statesmen should allow the free peasantry of India gradually to sink to the level of serfs. If the State demand were permanently fixed in the older Provinces, where the conditions laid down in Sir Stafford Northcote's despatch of 1867 have been fulfilled, the measure, I am persuaded, would prove a great boon to the people. A correspondent of the *Times of India*—a journal which has rendered during these trying times signal services to the agriculturists of the Bombay Presidency—in a series of letters which have attracted general attention has demonstrated in a forcible manner the mischievous effects of the present policy of periodical revisions—how improvements are taxed in spite of statutes and rules at every periodical revision, how lands which can leave no margin for the payment of assessment are assessed all the same, and how the condition of the agricultural community is steadily deteriorating. Permanent settlement in raiyatwari tracts cannot be open to the objection that it is asking the State to surrender a prospective revenue in favour of a

'few individuals.' I admit that such a measure by itself may not suffice to improve the condition of the agriculturists, and that it will be necessary in addition to provide for them cheap money and enable them to compound in some manner with their creditors. If all these measures are taken, they will give the peasantry of the country a real, fresh start, and then Government might even place some restrictions on the raiyat's power of free alienation. I am aware that the recent Resolution of the Government of India makes a definite pronouncement against permanent settlement, and that it speaks in terms of disapproval of the permanent settlement granted in Bengal by Lord Cornwallis. It seems to be forgotten, however, that the policy which Lord Cornwallis carried out was William Pitt's policy, and that that great statesman made the land-tax permanent in England at the same time that he asked the Governor-General of India to grant permanent settlement to Bengal. Those, however, who condemn the Bengal settlement have no fault to find with Pitt's fixing the land-tax in perpetuity in England. It is true that Your Lordship's Government has declared itself against permanent settlement, but a position that has been reversed once may be reversed again, and I am not without hope that the wisdom of the proposals of Halifax and Northcote, of Canning and Lawrence—most honoured names among the administrators of India—may come to be appreciated better on some future day. Then the question of mass education must be undertaken in right earnest, and, if it is so undertaken, the present expenditure of Government on public education will require a vast increase. My Lord, it is a melancholy fact that while with us nine children out of every ten are growing up in ignorance and darkness, and four villages out of every five are without a school,

our educational expenditure has been almost marking time for many years past; whereas in England, where every child of school-going age must attend a school, the Government expenditure on education has mounted from $4\frac{1}{2}$ millions to $11\frac{1}{2}$ millions sterling in the course of 15 years, and Lord Roseberry is not yet satisfied ! It may be asked how can the two things that I advocate simultaneously be achieved together, namely, a considerable reduction of taxation and a large increase in the outlay on education and other domestic reforms ? My answer is that the only way to attain both objects simultaneously is to reduce the overgrown military expenditure of the country. My Lord, when the strength of the Army was increased in 1885 by troops in spite of the protest of the Finance and the Law Members of the Government of India, it was pointed out by those two officers that the then existing strength of the Army was really sufficient for all purposes of India—for keeping quiet within the borders and repelling aggression from abroad, and that if the contemplated increase was effected, it would only constitute a temptation to the Indian Government to undertake undesirable schemes of territorial aggrandizement. The Army Commission of 1879, after an exhaustive inquiry, had come to the same conclusion, viz., that the then strength of the Army was sufficient not merely for the work of maintaining internal peace but also for repelling foreign aggression, even if Russia acted *with Afghanistan as an ally*. But the scare of a conflict with Russia was then so great that it carried everything before it, and the proposed additions to the Army were made in India. It may be noted that it was not only in India but in other parts of the British Empire too that large and sudden additions were then made to the existing garrisons, Mr. Gladstone obtaining a large vote of credit

for the purpose. But the remarkable circumstance is that, whereas everywhere else the garrisons were reduced to their old proportions as soon as the scare passed away, in India alone the burden came to stay. The result of that was that the prophecy of Sir Auckland Colvin and his colleagues was fulfilled with painful promptitude, and within a year after the increases were made Upper Burma was invaded, conquered and annexed. Well, my Lord, the contention that the additional troops were not wanted for Indian purposes, is again forcibly illustrated by the fact that during the last two years over 20,000 troops are engaged outside India in doing the work of the Imperial Government, and that, though one of these two years saw the severest famine of the last century, the peace of the country has continued absolutely unbroken. I am aware that in one of your first speeches in this Council, Your Excellency was pleased to declare that so long as you were at the helm of affairs in India, no suggestion for a reduction of the strength of the Army would meet with any support at the hands of the Indian Government. Now, even if an opinion, expressed three years ago, be not liable to modification to-day, what we urge is, I submit, not necessarily a reduction of the strength of the Army located in India, but a reduction of its cost to the Indian people. What strength of the Army should be maintained in India is a question of high Imperial policy in which we are not allowed a voice. But this, I think, we may claim, that if the strength maintained is in excess of India's own requirements, as it is now plainly proved to be, the cost of the excess portion should, as a mere matter of justice, be borne by the Imperial Government. Even on the narrower ground that the Army in India is required for the maintenance of British rule, England, I submit, is as much

interested in the maintenance of this rule here as we are, and so it is only fair that a portion of the cost should be borne on the English estimates. If this were done and if Indians were more widely employed in the public service of the country—more particularly in the special departments—Government will be able to reduce taxation and yet find money for more education, better Provincial finance, active efforts for the industrial development of India after the manner of the Japanese Government, and various other schemes of internal reform. Then will Indian finance be really placed on a truly sound basis, and then will our public revenues be administered as those of a poor country like India should be administered. My Lord, Your Lordship spoke the other day in terms of striking eloquence of the need there is of Indians now giving up narrow views or limited ideals and feeling for the Empire with Englishmen that new, composite patriotism which the situation demands. Now that is an aspiration which is dear to the heart of many of us also. But the fusion of interest between the two races will have to be much greater and the people of India allowed a more definite and a more intelligible place in the Empire before that aspiration is realised. Let Englishmen exercise a certain amount of imagination and put themselves mentally into our place, and they will be able to better appreciate our feelings in the matter. It has been said that a little kindness goes a long way with the people of India. That, I think, is perfectly true. Who, for instance, ever thought of casting a doubt on the loyalty of the Indian Press in the time of Lord Ripon? There was strong language used then as now in the Press, but it was not in the Indian section of it. What, my Lord, is needed is that we should be enabled to feel that we have a Government national in

spirit though foreign in *personnel*—a Government which subordinates all other considerations to the welfare of the Indian people, which resents the indignities offered to Indians abroad as though they were offered to Englishmen, and which endeavours by all means in its power to further the moral and material interests of the people in India and outside India. The statesman who evokes such a feeling among the Indian people will render a great and glorious service to this country and will secure for himself an abiding place in the hearts of our people. Nay, he will do more—he will serve his own country in a true spirit of Imperialism—not the narrower Imperialism which regards the world as though it was made for one race only and looks upon subject races as if they were intended to be mere footstools of that race—but that nobler Imperialism which would enable all who are included in the Empire to share equally in its blessings and honours. My Lord, I have said all this before Your Lordship not merely because you happen to be Viceroy of India at the present moment, but also because every one feels that Your Lordship is destined for even higher honours and for positions of greater responsibility and influence on your return to your native land. And, if this anticipation is realised, Your Lordship will be in a position—even more so than to-day—to influence the character of the Government of this country in the direction we so ardently desire. In this hope I have spoken to-day, and I respectfully trust Your Lordship will forgive me if here and there I have spoken with a frankness which may appear to be somewhat unusual, but which, in my humble opinion, is one of the highest forms which true loyalty can take.

APPENDIX.

The Census.

Population of British India in Millions.

Census of 1881...199 04	} Increase during the decade
" " 1891...221 25	
" " 1901... 231 01	

22.1 millions = 11.3 per cent.

Increase 9.76 millions = 4.4 per cent.

A fall-off during the past decade, as compared with the previous decade—

12.55 millions = 6.9 percentage.

	1891.	1901.	Increase or decrease.	Percentage of increase or decrease.	Remarks.
A. Assam					
Sind					
Lower Burma					
Upper Burma					
	15.95	18.25	+2.30	14	Normal increase.
B. Bengal					
N.-W. Provinces					
Oudh					
	118.24	122.40	+4.17	2.5	7.6 millions less.
C. Bombay					
Central Provinces, Berar					
	29.65	27.72	-1.73	-5	4.7 millions less.
D. Punjab					
Madras					
	56.49	60.64	+4.15	7	1.4 millions less.

A—showing a normal development.

B & D have a total increase of 8.3 millions on an aggregate roll of 174.7 millions.

C has lost 1.7 millions in lieu of a normal increase of 3 millions = 4.7 millions the total loss.

Vital Statistics.

Year.	Total deaths in millions.	Ratio per mille.	Remarks.
1882	4.757	23.17	Average for five years (1882-86), 24.84.
1883	4.595	23.17	
1884	5.237	26.44	
1885	5.182	26.12	
1886	5.016	25.34	
1887	5.508	28.35	Average for five years (1887-91), 28.56.
1888	5.087	25.74	
1889	5.534	27.98	
1890	5.858	30.27	
1891	5.806	30.49	
1892	6.942	32.40	Average for four years (1892-95), 30.26.
1893	5.498	25.75	
1894	7.258	33.97	
1895	6.178	28.94	
1896	6.814	32.09	
1897	7.658	38.03	Average for four years (1895-99, a period of plague and famine), 31.14.
1898	5.669	26.44	
1899	6.437	30.01	

The figures for years subsequent to 1899 are not yet available, but the mortality during the famine of 1900-01 has been admittedly dreadful in certain parts of India.

Salt Consumption.

Year.	Total consumption in millions of maunds.
1881-82	28 37
1882-83	29 79
1883-84	30 65
1884-85	33 00
1885-86	31 69
1886-87	33 72

Increase in 5 years succeeding reduction of duty = 5·35 million maunds or 18 per cent.

1886-87	33 72) During the four years since 1887-88, when the duty was enhanced, a steady decline in consumption took place, though the population of Upper Burma was added to the whole consuming population.
1887-88	33 063	
1888-89	31 351	
1889-90	33 016	
1890-91	33 280	
1891-92	34 429) A slight advance.
1892-93	35 057	
1893-94	33 628	
1894-95	34 150	
1895-96	34 685	
1896-97	34 062	
1897-98	34 524	
1898-99	35 26	
1899-1900	35 05	
1900 1901	35 72	

During the 14 years since 1886-87 the consumption has increased from 33·72 to 35·72 million maunds, i.e., just 2 million maunds or less than 6 per cent.

The consumption has not kept pace even with the advance in population and shows no development whatever, such as is exhibited during the five years which followed the reduction of the salt-duty in 1882-83.

Summary of Agricultural History since 1884-85.

During this period, there has been not only no advance in any of the older provinces but a positive

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retrogression in all the more important elements of moral well-being.

Punjab.—Seven years of agricultural depression out of fourteen; a fall off in cropped areas under rice, wheat, sugarcane and cotton; the crop yield in several years below average.

N - W. Provinces.—Six bad years out of fourteen; a decline in rice, wheat, sugarcane, cotton and indigo areas; 1892-97 were years of deficient harvests.

Oudh.—Six bad years, cropped areas stationary with a tendency to a fall off in cotton and sugarcane.

Bengal.—Ten years of agricultural depression out of fourteen years of deficient harvest as well as diminished yield.

Central Provinces.—Seven bad years; seven years of diminished cropped acreages and reduced crop yield during the past decade; cattle mortality very heavy—3,898 million head of cattle having perished during 1896-99.

Bombay.—The whole decade 1889-90-1900 was a bad decade for the Presidency; six bad years culminating in the famines of 1896-98 and 1899-01, the worst famines on record; in the Deccan particularly scarcely a full crop during the past sixteen years.

Madras.—Four bad years; a stationary state of things during the past decade with a decline in cotton and sugarcane areas.

Two famines: Famine of 1896-98—population affected 45·7 millions; the maximum number on relief 3·89 millions = 8 per cent. nearly.

Famine of 1899-1901: population affected 25·1 millions; the maximum number on relief 4·60 millions=18 per cent.

Cropped Area in British India.

Year	Total cropped area.	Double-crop,	Net cropped area.	Irrigated area.
1890-91	217·622	23·248	194·413	28·30
1891-92	210·965	23·188	187·781	27·23
1892-93	221·224	23·305	195·918	26·55
1893-94	225·447	23·077	197·370	26·70
1894-95	223·761	27·160	196·600	23·82
1895-96	213·867	24·905	188·922	26·73
1896-97	200·416	22·905	177·512	29·36
1897-98	223·742	27·245	196·497	30·41
1898-99	223·334	27·166	196·487	30·41
1899-1900	203·895	23·745	180·151	31·54

1890-91 194·413 million acres.

1898-99 196·487 " "

Increase — 2·074 million acres only. *

Increased acreages in <i>Sind, Assam, Upper and Lower Burma, Coorg and Ajmir.</i>	}	5 34 million acres.
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Therefore, elsewhere a decrease of 3·26 million acres in the older Provinces.

Thus in the older provinces, the net cropped acreage has fallen off simultaneously with an advance in the population.

The irrigated area shows some expansion during the decade, but that is due to droughts more than to the demands of an intensive cultivation.

As to double cropping — Mr. Holderness in his Memo on the Food Production, North-Western Provinces and Oudh (Appendix A), says. —

* The area which bears more than one crop a year is counted twice over. . . This is not accurate even in cases of genuine double-cropping, as the produce of two harvests from the same field is less than the produce of two fields of the same area. But double-cropping is not unfrequently fictitious, as it often happens that a field is sown for *rabi* because it has failed in *kharif*, and is liable to be included in the double-cropped area.

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Much of the double-cropping during the decade has been owing to the uncertainties of the seasons, more or less, and is therefore of a "*fictitious character*."

Areas under Superior Crops.

Mere cultivated areas are, however, a subordinate factor in the problem: the profits of cultivation depending principally on the *kind of crop* grown, and the crop-yield obtained.

As to *superior cropping*:—A fall-off in areas under *wheat, cotton, sugarcane, oil-seeds, jute, indigo* in most provinces, as may be seen from the table given below.

As to yield:—The estimate of the local authorities, as given in the Lyall Commission's Report, page 357—working out to 800lb. per acre—is not endorsed by the Commission: they reject the estimates for *Bengal* as particularly *unreliable* and for *Burma* and *Bombay* as *too high*. The Commission are distinctly of opinion that whatever may have been the normal annual surplus of food-grains in 1880, the present surplus *cannot* be greater than that figure.

Areas under certain crops in British India in million acres.

Year.	Wheat.	Sugar-cane.	Oil-seeds.	Cotton.	Jute.	Indigo.
1890-91	22 03	2 793	11 58	10 968	2 479	1 215
1891-92	20 18	3 134	12 84	8 839	2 100	1 155
1892-93	21 48	2 861	13 54	8 940	2 181	13 23
1893-94	22 21	3 033	14 81	10 438	2 230	15 35
1894-95	22 76	2 889	13 72	9 717	2 275	17 05
1895-96	18 53	2 930	12 84	9 600	2 248	15 69
1896-97	16 18	2 631	10 53	9 459	2 215	15 83
1897-98	19 94	2 618	12 56	8 914	2 159	13 66
1898-99	20 22	2 756	12 16	9 178	2 690	10 13
1899-1900	16 10	2 693	10 32	8 375	2 070	10 46

A marked decline in areas under—

Wheat	since 1894-95
Sugarcane	„ 1891-92
Oil-seeds	„ 1893-94
Cotton	„ 1893-94
Jute	„ 1894-95
Indigo	„ 1894-95

CERTAIN EXPORTS AND IMPORTS (VALUE IN CRORES OF RUPEES.)

Year.	EXPORTS.						IM- PORTS.		REMARKS.
	Cotton, raw.	Indigo.	Wheat	Linseed.	Sugar.	Hides and skins.	Manures (bones in lakhs)	Fodder bran, Cattle food.	
1880-81	13.24	3.57	3.27	3.69	.50	3.73	3.4	1.16	Exports in Raw Cotton, Indigo, Wheat, Linseed, Sugar, show large decline during the last decade, while the Export trade in Hides and Skins, Manu- res (bones) and Fodder exhibits an enormous development. Imports of sugar show an enormous expansion.
1881-82	14.94	4.50	8.62	3.00	.72	3.95	2.5	1.24	
1882-83	16.05	3.91	6.05	3.52	.98	4.44	4.3	1.08	
1883-84	14.40	4.61	8.89	4.38	1.17	4.66	13.4	1.14	
1884-85	13.29	4.06	6.31	4.91	.79	4.93	8.4	2.14	
1885-86	10.78	3.76	8.00	5.53	.73	5.33	10.8	1.45	
1886-87	13.47	3.69	8.62	5.17	.70	5.14	9.2	2.08	
1887-88	14.14	3.89	5.56	4.93	.61	4.86	13.2	2.11	
1888-89	15.04	3.94	7.52	5.05	.75	4.74	17.5	1.79	
1889-90	18.67	3.86	5.79	4.73	1.18	4.52	24.5	2.20	
1890-91	16.53	3.07	6.04	4.98	.61	4.69	33.9	3.39	
1891-92	10.76	3.21	14.38	6.79	.70	5.18	23.6	2.56	
1892-93	12.74	4.14	7.44	5.52	.83	5.59	25.0	2.62	
1893-94	13.31	4.18	5.19	7.50	1.23	5.80	28.0	2.82	
1894-95	8.70	4.74	2.56	6.74	.82	6.58	47.8	2.87	
1895-96	14.09	5.35	3.91	4.13	.79	7.65	46.0	3.10	
1896-97	12.97	4.35	.83	3.55	.91	7.00	42.2	3.15	
1897-98	8.87	3.05	.34	2.88	.41	8.31	39.5	4.41	
1898-99	11.19	2.97	9.71	5.13	.38	7.43	40.8	4.01	
1899-1900	9.12	2.69	3.90	4.50	.45	10.46	61.2	3.37	
1900-1901	10.12	2.13	.03	4.45	.24	11.46	59.0	5.65	

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Export of Cotton.—Falling off since 1889-90.

In 1889-1900—18·6 crores.

„ 1900-1901—10·1 crores,

or less by $8\frac{1}{2}$ crores

Export of Indigo.—A decline during 1884-85 to 1892-93.

„ again during 1896-7 to 1900-01.

In 1883-84—4·64 crores,

Last year—2·13 crores only,

or less by 2·51 crores.

Export of Wheat.—Declining since 1892-93.

In 1883-84—8·89 crores.

In 1899-1900—39 crores only,

or less by 5 crores.

Export of Linseed.—Falling off since 1893-94.

In 1893-94—7·5 crores.

Last year—4·45 crores only,

or less by 3 crores.

Export of Sugar.—In 1883-84—1·17 crores.

Last year—·25 crores only,

i.e., nearly wiped out.

Export of Hides and Skins.—An enormous increase.

In 1880—3·75 crores.

In 1900-01—11·46⁷ crores,

or more by $7\frac{1}{2}$ crores.

Export of Manures (bones).—A large increase—from 3 lakhs in 1880 to 59 lakhs last year.

Export of Fodder.—Also a large increase—from 19 lakhs in 1893-94 to 70 lakhs last year.

Imports of Sugar.—Show an enormous expansion.

In 1880-81—1·61 crores.

Last year—5·65 crores,

or more by 4 crores.



• BUDGET SPEECH, 1903.

[At a meeting of the Imperial Legislative Council held on Wednesday the 25th March 1903, His Excellency Lord Curzon presiding, the Hon. Mr. G. K. Gokhale made the following speech on the Financial Statement for 1903-04 presented by the Hon. Sir Edward Law:—] •

YOUR EXCELLENCY,—I desire at the outset respectfully to associate myself with what has been said by my Hon'ble colleagues, who have preceded me, in recognition of the important measures adopted by Government this year to give relief to the tax-payers of this country. For five successive years now, the Hon'ble Finance Member has been able to announce a large surplus of revenue over expenditure, and these surpluses have aggregated over 22 crores of rupees, as may be seen from the following figures:—

Year.	Surplus in crores of Rupees.		
1898-1899	3·9
1899-1900	4·2
1900-1901	2·5
1901-1902	7·4
1902-1903	4·1
Total for 5 years ...			<hr/> 22·1 <hr/>

Moreover, a sum of over 11 crores has been spent during the period out of current revenues for meeting extraordinary charges, but for which the aggregate surplus would have amounted to over 33 crores of rupees. My Lord, to take from the people a sum of 22 crores in five years over and above the requirements of Government—ordinary and extraordinary—at a time again when the country was admittedly suffering from famine and plague and general industrial depression as it had never suffered

before, is a financial policy, the justification of which is not at all clear; and I cannot help thinking that even the cautious mind of the Hon'ble Member ought to have been satisfied with a shorter period than five years and a smaller total surplus than 22 crores to be able to recognise that with a 16d. rupee Government were bound to have large and recurring surpluses year after year, when the level of taxation had been so determined as to secure financial equilibrium on the basis of a 13d. rupee. However, it is better late than never, and I sincerely rejoice that my Hon'ble friend was at last able to advise Government that the time had come when the claims of the tax-payers, who have had to submit to continuous and ceaseless additions to the taxation of the country during the last eighteen years, to some measure of relief might be safely considered. My Lord, as regards the particular form of relief, decided upon by Government, I have nothing but the warmest congratulations to offer. I confess I was not without apprehension that Lancashire, with its large voting strength in the House of Commons and its consequent influence with the Secretary of State for India, might once more demonstrate how powerless the Indian Government was to resist its demands and that the abolition of cotton-duties might take precedence of the reduction of the duty on salt. My fears, however, have happily been proved to be groundless, and I respectfully beg leave to congratulate Government on the courage, the wisdom and the statesmanship of their decision. Public opinion in India has for a long time prayed for these very measures of relief, and the National Congress has, year after year, urged upon the attention of Government the necessity of raising the taxable minimum limit of the income-tax from five hundred rupees to one thousand, and of reducing the duty on salt from Rs. 2-8 a

maund to Rs. 2 at the earliest opportunity. My Lord, I am surprised to hear the opinion expressed in some quarters that the reduction of the salt-duty will not really benefit the vast mass of our population, but that it will only mean larger profits to small traders and other middlemen. I think that those who express such an opinion not only ignore the usual effect on prices of competition among the sellers of commodities, but that they also ignore the very obvious lesson which the figures of salt consumption during the last twenty years teach us. An examination of these figures shows that, during the five years that followed the reduction of the salt duty in 1882, the total consumption of salt advanced from 28·37 millions of maunds to 33·71 millions—an increase of 5·35 million maunds or fully 18 per cent. In 1887-88, the duty was raised from Rs. 2 to Rs. 2·8 a maund, which not only arrested the steady increase of the previous five years, but actually led to a reduced consumption during the next four years, and this in spite of the fact that the figures for these years included for the first time the figures of salt consumption in Upper Burma. It was not till 1891-92 that the ground thus lost was again recovered, but since then consumption has remained virtually stationary—only a very slight advance of less than 6 per cent. being recorded in 14 years as against an increase of 18 per cent. in five years previous to the enhancement of the salt duty. My Lord, I am confident that what has happened before will happen again, and that the Finance Member will not have to wait long before he is able to announce that the consumption of salt is once again steadily on the increase, that the loss of revenue caused by the reduction in duty at present will be only a temporary loss, and that in a few years' time it will disappear altogether in

consequence of increased consumption. Again, my Lord, I have heard the opinion expressed that the duty on salt does not after all constitute any serious burden on the resources of the poorer classes of our community, because this duty, it is urged, is the only tax which they contribute to the State. Here again, I must say that those who express such a view hardly realise what they are talking about. Our revenue is principally derived from Land, Opium, Salt, Excise, Customs, Assessed Taxes, Stamps, Forests, Registration and Provincial Rates. Of these, the Opium Revenue is contributed by the foreign consumer and may be left out of account. Of the remaining heads, the proceeds of the Assessed Taxes are the only receipts that come exclusively from the middle and upper classes of the people, and they are represented by a comparatively small sum—being less than two crores of rupees a year. On the other hand, the bulk of the Salt Revenue comes from the pockets of the poorer classes. The Abkari Revenue again is contributed mainly by them ; so also is the Forest Revenue. Under Stamps and Registration, they contribute their fair share—possibly more than their share, as the bulk of our litigation is about small sums. I believe they also contribute their share under Customs. And as regards Land Revenue and Provincial Rates, in raiyatwari tracts at any rate, a large proportion of this revenue comes from very poor agriculturists. So far, therefore, from contributing less than their fair share to the exchequer of the State, the poorer classes of our community contribute, as a matter of fact, much more than they should, relatively to their resources ; and Government have, therefore, done wisely in deciding to give relief to these classes by a reduction of the duty on salt. I trust it may be possible for Government to reduce this duty stil

further in the near future for the consumption of salt, which in the time of Lord Lawrence was found to be about 12 lb. per head in some parts of India, is now not even 10 lb. per head, whereas the highest medical opinion lays down 20 lb. per head as a necessary standard for healthful existence.

My Lord, in the remarks which I made in the course of the Budget discussion of last year, I dwelt at some length on the heavy and continuous additions made by Government to the taxation of the country since 1886, and I urged that as the currency policy adopted by Government had put an end to their exchange difficulties, some relief should be given to the sorely-tried tax-payers by a reduction of the salt-duty, a raising of the taxable minimum limit of the income tax, and the abolition of the excise duties on cotton-goods. Two of these three prayers have been granted by Government this year, and it was much to be wished that they had seen their way to grant the third also. These excise-duties illustrate what John Stuart Mill has said about the Government of the people of one country by the people of another. They were levied not for revenue purposes but as a concession to the selfish agitation of Manchester. They are maintained owing to a disinclination on the part of Government to displease that same powerful interest, though the mill industry in this country, owing to various causes, not the least important of which is the currency policy of Government themselves, is in a state of fearful depression. The justification ostensibly urged in favour of their retention is that the principles of free trade would be violated if they were removed while the imports from Manchester were liable to Customs duties. The hollowness of this justification has, however, been
shewn up by the present Editor of the *Times* of

India in the brief Introduction contributed by him to a pamphlet, published some time ago by my friend Mr. B. J. Padshah, in which the question of the effect produced by the excise duties on the cotton industry of India has been examined with elaborate care and a clear grasp of principles.

In defence to the representations of Lancashire mill-owners, says the writer of the Introduction, India was compelled to impose an excise-duty upon her own cotton manufactures. That is to say, she was forced to tax an internal industry at a peculiarly inopportune time for the benefit of Lancashire. She was practically sacrificed to the political exigencies of the moment. The British Parliament has now imposed a duty—not large but enough to be felt—upon imported corn. India sends corn to England just as Lancashire sends piece-goods to India. If the British Parliament really desires to render that justice to India which it so frequently professes, its only logical course must be to force an excise duty on its own home-grown corn. Such a proposition is naturally impossible, but it serves to throw into strong relief the essential injustice of the present treatment of the Indian cotton industry. The British Parliament is willing enough to thrust taxation upon Indian millowners for the benefit of their Lancashire brethren: but it places a protecting arm round the British farmer as against India.

In no other country would such a phenomenon of the Government taxing an internal industry—even when it was bordering on a state of collapse—for the benefit of a foreign competitor be possible, and I am inclined to believe that the Government of India themselves regret the retention of these duties as much as any one else. I earnestly hope that, before another year is over, the Secretary of State for India and the British Cabinet will come to realise the great necessity and importance of abolishing these duties, whose continued maintenance is not only unjust to a great Indian industry, but also highly impolitic on account of the disastrous moral effect which it cannot fail to produce on the public mind of India.

My Lord, the Financial Statement rightly observes that for the first time since 1882, the Government of India

have this year been able to announce a remission of taxation. Twenty-one years ago, a Viceroy, whose name will ever be dear to every Indian heart, assisted by a Finance Minister who has since risen to a most distinguished position in the service of the Empire, took advantage of the absence of any disturbing elements on the financial horizon to modify and partially reconstruct the scheme of our taxation and expenditure. The financial reforms of Lord Ripon and Major Baring (now Lord Cromer), joined to other great and statesmanlike measures of that memorable administration, roused throughout the country a feeling of enthusiasm for British rule such as had never before been witnessed: and the mind of every Indian student of political and financial questions constantly harks back to that time, because it sought to fulfil in a steady and earnest manner the higher purpose of England's connection with India. The fiscal status established during that period was rudely disturbed in 1885 in consequence of an apprehension of Russian aggression on the North-Western Frontier, and a period of continuous storm and stress, financial and otherwise, followed, which I venture to think has now happily come to a close. During the 14 years—from 1885 to 1898—the Government of India took about 120 crores of rupees from the people of this country over and above the level of 1882-85 (inclusive of about 12 crores for Upper Burma) under the larger heads of Revenue—about 36 crores under Land Revenue, 25 under Salt, 12 under Stamps, 18 under Excise, 15½ under Customs and 13½ under Assessed Taxes. Nearly 80 crores out of this additional 120 crores, *i.e.*, fully two-thirds, was swallowed up by the Army services, whereas the share that fell to the lot of public education out of this vast sum was represented by less than a crore of

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rupees. My Lord, I mention these facts not to indulge in vain regrets about a past which is now beyond recall, but because I wish earnestly and respectfully to emphasise the great necessity of increased expenditure in future on objects which have so far been comparatively neglected, as on these the ultimate well-being of the people so largely depends. As things stand at present, Indian finance is virtually at the mercy of military considerations, and no well-sustained or vigorous effort by the State on an adequate scale for the material advancement or the moral progress of the people is possible while our revenues are liable to be appropriated in an ever-increasing proportion for military purposes. My Lord, I do not wish to speak to-day of the serious and alarming increase that has taken place during the last eighteen years in the military expenditure of the country, which has risen in a time of profound peace from about 17½ crores—the average for 1882-85—to 26½ crores—the amount provided in the current year's Budget, i.e., by over 50 per cent. when the revenue derived from the principal heads has risen from 51 crores to 69 crores only, i.e., by about 35 per cent. Our Military expenditure absorbs practically the whole of our Land-revenue and exceeds the entire civil expenditure of the country by about 2½ crores, thus demonstrating the excessive preponderance of the military factor in Indian finance. In no country throughout the civilised world do the Army Services absorb so large a proportion of the national income. Not even in Russia is this expenditure more than one-fourth of the total ordinary revenue, while with us it is about one-third, omitting, of course, from the Revenue side Railway receipts, which are balanced by a corresponding entry on the Expenditure side. Military safety is no doubt a paramount consideration to which every

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other must yield, but military preparedness has no definite standard and might absorb whatever resources can be made available for it practically without limit.³¹ Moreover, the demands of military improvement must grow more and more numerous and insistent as years roll by, and there can be no finality in such matters. Military efficiency must, therefore, as Lord Salisbury once pointed out, be always *relative*, i.e., determined in the case of each country by a combined consideration of its needs of defence and the resources that it can fairly devote for the purpose. Judged by this ¹⁰test, our military expenditure must be pronounced to be much too heavy and unless effective measures are taken to bring about its reduction, or at any rate prevent its further increase, there is but little hope that Government will ever be able to find adequate funds for public education or other important and pressing measures of internal improvement. The question cannot be put better than in the eloquent words used by Lord Mayo in his memorable minute on the subject dated 3rd October, 1870—words which are as true to-day as they were 30 years ago—if anything, even more so.

Though the financial necessities of the hour, said he, have brought more prominently to our view the enormous cost of our army (163 crores) as compared with the available resources of the country, I cannot describe fiscal difficulty as the main reason for the course we have taken. I consider that if our condition in this respect was most prosperous, we should still not be justified in spending *one shilling more* on our army than can be shown to be absolutely and imperatively necessary. There are considerations of a far higher nature involved in this matter than the annual exigencies of finance or the interests of those who are employed in the military service of the Crown. Every shilling that is taken for unnecessary military expenditure is so much withdrawn from these vast sums which it is our duty to spend for the moral and material improvement of the people.

The present strength of our Army is in excess of what the Simla Commission of 1879—of which Lord
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Berbets was a member—pronounced to be sufficient both

for the purpose of maintaining internal peace and for repelling foreign aggression, not only if Russia acted alone, but even if she acted with Afghanistan as an ally. General Brakenbury, some time ago Military Member of the Governor-General's Council, admitted in his evidence before the Welby Commission that the present strength was in excess of India's own requirements and that a portion of it was maintained in India for Imperial purposes. The truth of this statement was forcibly illustrated during the last three years when India was able to spare, without apparent danger or inconvenience, a large number of troops for Imperial purposes in South Africa and China. Again, since the Army increases of 1885 were made, a great deal has been done at a heavy outlay of money to strengthen our coast and frontier defences and to place the administration of the Army on a sounder basis. The armed strength has, moreover, improved in other directions also. The number of Volunteers has increased by nearly 13,000 men. The Native Army reservists now number close upon 20,000 and the Imperial Service troops about 18,904—both new and recent creations. My Lord, I am free to admit that in these matters Government are bound to be guided, mainly, if not exclusively, by the opinion of their expert military advisers. But there are certain broad features of the situation—certain large questions of general policy—which, I believe, it is open to every one to discuss: and I venture to submit with much diffidence and not without a sense of responsibility a few remarks on this subject for the consideration of Your Excellency's Government. Our Army is for all practical purposes a standing army, maintained on a *war footing* even in times of peace. It is altogether, an *inexpansive* force, without any strong auxiliary support

in the country such as exist in European States, and its strength can be augmented only by an arithmetical increase of its cost. In Western countries and even in Japan, which has so successfully copied the Western system, the establishment maintained in times of peace can, owing to their splendid system of reserves, be increased three, four, five, even six times in times of war. Japan, for instance, which spends on her Army in times of peace about one-fourth of what we spend, has a peace establishment half our own and can mobilize in times of war nearly double the number of men that India can. The British troops in this country are under the Short Service system, but owing to the peculiarity of the situation, the main advantage of Short Service—viz, securing for the country a large body of trained reservists—goes to England, while all the disadvantages of the system—the paucity of seasoned soldiers, increased payments to the British War Office for recruitment charges and increased transport charges—have to be borne by us. The Native Army is in theory a Long Service army, but it was calculated by the Simla Army Commission, on the basis of the strength which then existed, that as many as 80,000 trained Native soldiers obtained their discharge and returned to their homes in ten years' time. And the formation of reserves was proposed by the Commission so as to keep the greater number of these men bound to the obligations of service and also in the hope that the reserves so formed in time of peace might 'enable the Government to reduce the peace strength of the Native Army.' The Commission apprehended no political danger from such a restricted system of reserves, and it was calculated that the proposed reserves, if sanctioned, would absorb about 52,000 out of the 80,000 men retiring from the Army every ten years.

Acting on this recommendation, Lord Dufferin's Government decided on the formation of such reserves and proposed to begin with two kinds—regimental and territorial reserves—of which the latter system was naturally better suited to the circumstances of such a large country as would undoubtedly have succeeded better. But the India Office, more distrustful in the matter than the men on the spot, disallowed the formation of territorial reserves, with the result that our reservists to-day do not number even 20,000 men. Practically, therefore, we have to place our sole reliance on a standing army and while the plan is, financially, the most wasteful conceivable, even as an organisation of national defence, it is radically faulty. No pouring out of money like water on mere *standing battalions* can ever give India the military strength and preparedness which other civilised countries possess, while the whole population is disarmed and the process of demartialization continues apace. The policy of placing the main reliance for purposes of defence on a standing army has now been discarded everywhere else, and at the present moment India is about the only country in the civilised world where the people are debarred from the privileges of *citizen soldiery* and from all voluntary participation in the responsibilities of national defence. The whole arrangement is an unnatural one; one may go further and say that it is an impossible one, and if ever unfortunately a day of real stress and danger comes, Government will find it so. My Lord, I respectfully plead for a policy of a little more trust in the matter. I freely recognise the necessity of proceeding with great caution, and if Government are not prepared to trust all parts of the country or all classes of the community equally, let them : particular areas and particular sections of the community

for their experiment. What I am anxious to see is the adoption of some plan, whereby, while a position of greater self-respect is assigned to us in the work of national defence, the establishments necessary during peace and war times may be separated and thus our finances may be freed from the intolerable pressure of an excessive and ever-growing military expenditure. •

My Lord, the question which, in my humble opinion, demands at the present moment the most earnest and anxious attention of Government is the steady deterioration that is taking place in the economic condition of the mass of our people. In my speech on last year's Budget, I ventured to dwell at some length on this subject, and I have no wish to repeat again to-day what I then said. But the Hon'ble Sir Edward Law has made a few observations on the question in the Financial Statement under discussion which I deem it my duty not to allow to pass unchallenged. At page 20 of the Statement, under the heading of Economic Progress, my Hon'ble friend observes :—

As a general indication of the increasing wealth of the taxpayers, I think that a very fairly correct estimate of the position is to be obtained by noting the increase in revenue returns under heads the returns from which are manifestly dependent on their spending power. Such heads are Salt, Excise, Customs, Post Office and in a lesser degree Stamps, and I give the following figures, showing progress in revenue under these heads during the last three years. The inevitable deduction from the figures tabulated must be that *the material prosperity of the people as a whole is making good progress.*

My Lord, I can only say that I am amazed at the Hon'ble Member's idea of what he calls 'the 'good progress' of the material prosperity of the people. Are the figures really so striking that they should convey to his mind a clear and emphatic assurance on a momentous question and fill him with such evident satisfaction ?

Last year, in replying to some of the remarks which I had made on this subject, the Hon'ble Member was pleased to state that I had been arbitrary in my selection of certain periods for comparison and that I had compared the statistics of an earlier period which was normal with those of a later period which was disturbed by successive famines. The Hon'ble Member's criticism was passed on a misapprehension, because I had precisely avoided doing what he said I had done. However, having passed that criticism on me, one would have expected that the Hon'ble Member would be particularly careful in the selection of his own statistics. I am sorry, however, my Lord, to find that some of his figures are not only arbitrarily selected, but are used in a manner which I can only describe as misleading. Take, for instance, the figures of Salt-revenue. The Hon'ble Member starts with the year 1899-1900, when the Salt-revenue was 5·85 millions sterling, and points out that it had risen to 6·04 millions for 1902-1903. Now, in the first place, the rise here is very small. But will the Hon'ble Member tell me why he took 1899-1900 as his starting year and not the preceding one, *viz.*, 1898-99, the Salt-revenue for which was 6·06 millions sterling, *i.e.*, slightly over the figure for 1902-03? If we take 1898-99 as our starting year we can deduce from these same figures the conclusion that the Salt-revenue has actually diminished during these four years and that the ground lost since 1898-99 has not yet been regained. Again, take the figures for Stamps. As they are presented by the Hon'ble Member, they no doubt show a small steady increase and the revenue for 1902-03 appears larger than for 1901-02, the figures given by the Hon'ble Member being 3·472 millions sterling for 1902-03 as against 3·446 millions sterling for 1901-02. But

Hon'ble Member seems to have lost sight of the fact that the figure for 1902-03 includes the revenue for Berar, which the figure for 1901-02 does not do; so that for purposes of a fair comparison the Berar revenue must be deducted from the former. The amount for Berar included in the figure for 1902-03 is, as Mr. Baker tells us, about £28,700. And this amount being deducted we get for 1902-03 a revenue of 3·443, which, it will be seen, is slightly lower than for the preceding year; and in fact Mr. Baker himself speaks in his note of the Stamp-revenue declining slightly during the year. The Hon'ble Member has also omitted to deduct receipts for Berar under Excise and Post Office from his figures for 1902-03, and has moreover made no mention, as Mr. Baker has done, of the recent assemblage at Delhi being responsible for a portion of the increase under Post Office. It is true that, even after deducting the Berar quota, the Excise-revenue shows some increase, but the Hon'ble Member must forgive me if I say that that is not necessarily a sign of increased prosperity, though it is undoubtedly a sign of increased drunkenness in the land. Finally, many will decline to accept an increase of Customs-revenue in the present circumstances of India as any evidence of growing material prosperity. The bulk of our imports consists of manufactured goods, and almost every increasing import of foreign goods—far from indicating any increase in the country's purchasing power—only connotes a corresponding displacement of the indigenous manufacturer. Thus, while the import of cotton-goods has been for years past steadily increasing, we know, as a matter of fact, that hundreds and hundreds of our poor weavers throughout the country have and are being driven by a competition they cannot to give up their ancestral calling and be merged in

the ranks of landless labourers—and this typifies to a great extent the general transformation that is fast proceeding throughout the country. The process of such displacement is not yet complete, but the large and progressive totals of our import-trade only show that the transition of the country from the partially industrial to the purely agricultural phase of economic life is going on at a rapid pace, and that the movement has already reached an advanced stage. * There is at present hardly a country in the world which has become so preponderatingly agricultural or sends abroad so much of its food-supply and raw material for manufactures as British India. When the disastrous transformation is completed—and this is now only a question of time unless remedial measures on an adequate scale are promptly undertaken—it will reveal a scene of economic helplessness and ruin before which the heart of even the stoutest optimist will quail. No doubt there are here and there signs of an awakening to the dangers of the situation: but the first condition of this awakening producing any appreciable practical results is that the fact of our deep and deepening poverty and of the real exigencies of the economic position should come to be frankly recognised by the Government of this country. And, my Lord, it is a matter for both surprise and disappointment that a few paltry increases in revenue under certain heads should be accepted by the Finance Minister of this country as conclusive evidence of our growing material prosperity, when many most important indications point just the other way. The annual death-rate, independently of famine and plague, has been steadily rising for the last twenty years, showing that a steadily increasing proportion of the population is being underfed; the increase of population during the last decade has been

much less than normal; there has been a diminution of the net cropped area in the older Provinces and a more or less general shrinkage of the area under superior crops; the indebtedness of the agricultural population has been alarmingly on the increase all over the country. Their losses in crops and cattle during the last five years have been estimated at 300 crores of rupees; the currency legislation of Government has enormously depreciated their small saving in silver; the wages of labourers have not risen, during the last twenty years and more, in proportion to the rise in the prices of necessaries. I venture to think that unless these disquieting symptoms are properly diagnosed, not even the high authority of my Hon'ble friend will suffice to convey any assurance to the public mind that 'the material prosperity of the people as a whole is making good progress,' and that no apprehensions need be entertained for the future, if only the revenue under certain heads continues to advance as it has done during the past three years.

My Lord, Indian finance seems now to be entering upon a new and important phase, and the time has come when Government should take advantage of the comparative freedom, which the country at present enjoys from the storm and stress of the past eighteen years, to devote its main energies to a vigorous and statesmanlike effort for the promotion of the material and moral interests of the people. Speaking roughly, the first half of the nineteenth century may be said to have been for British rule a period of conquest and annexation and consolidation in this land. The second half has been devoted mainly to work of bringing up the administrative machine to a state of efficiency and evolving generally the application of civilised Government according to Western

standards. And I venture to hope that the commencement of the new century will be signalized by a great and comprehensive movement for the industrial and educational advancement of the people. After all, the question whether India's poverty is increasing or decreasing under the operation of the influences called into existence by British rule—though of great importance in itself—is not nearly so important as the other question as to what measures can and must be taken to secure for this country those moral and material advantages which the Governments of more advanced countries think it their paramount duty to bring within the easy reach of their subjects. My Lord, I have no wish to judge, it is perhaps not quite just to judge, the work done so far in these directions by the British Government in India by the standard of the splendid achievements of countries more fortunately circumstanced and having a more favourable start than ourselves in the field. I admit the exceptional character of our Government and the conflicting nature of the different interests which it has got to weigh before taking any decisive action in this matter. But after so many years of settled government and of unchallenged British supremacy, it is, I humbly submit, incumbent now upon the rulers of this country to gradually drop the exceptional character of this rule and to conform year by year more and more to those advanced notions of the functions of the State which have found such wide, I had almost said, such universal acceptance throughout the Western world. European States, for years past, have been like a number of huge military camps lying by the side of one another. And yet in the case of those countries, the necessity of military preparation has not come and does not come in the

of each Government doing its utmost in matters of popular education and of national industries and trade. Our record in this respect is so exceedingly meagre and unsatisfactory, even after making allowances for our peculiar situation, that it is almost painful to speak of it along with that of the Western nations. In Europe, America, Japan and Australia, the principle is now fully recognised that one of the most important duties of a Government is to promote the widest possible diffusion of education among its subjects, and this not only on moral but also on economic grounds. Professor Tews of Berlin, in an essay on Popular Education and National Economic Development, thus states his conclusions on the point :—

1. General education is the foundation and necessary antecedent of increased economic activity in all branches of national production in agriculture, small industries, manufactures and commerce. (The ever-increasing differentiation of special and technical education, made necessary by the continual division of labour, must be based upon a general popular education and cannot be successful without it.)

2. The consequence of the increase of popular education is a more equal distribution of the proceeds of labour contributing to the general prosperity, social peace, and the development of all the powers of the nation.

3. The economic and social development of a people, and their participation in the international exchange of commodities, is dependent upon the education of the masses.

4. For these reasons the greatest care for the fostering of all educational institutions is one of the most important national duties of the present."

Mr Lord, it is essential that the principle enunciated with such lucidity by Professor Tews in the foregoing propositions should be unreservedly accepted in this country as it has been elsewhere, and that a scheme of mass education should now be taken in hand by the Government of India so that in the course of the next twenty-five or thirty years a very appreciable advance in this direction be secured. It is obvious that an ignorant and

illiterate nation can never make any solid progress and must fall back in the race of life. What we therefore want—and want most urgently—is first of all a widespread diffusion of elementary education—an effective and comprehensive system of primary schools for the masses—and the longer this work is delayed, the more insuperable will be our difficulties in gaining for ourselves a recognised position among the nations of the world. My Lord, the history of educational effort in this country during the last 20 years is sad and disheartening in the extreme. Lord Ripon's Government, which increased the State contribution to education by about 25 per cent., i.e., from 98 lakhs to 124 lakhs between 1880 and 1885, strongly recommended, in passing orders upon the Report of the Education Commission of 1882, that Local Governments and Administrations should make a substantial increase in their grants to Education and promised special assistance to them from the revenues of the Government of India. But, before the liberal policy thus recommended could be carried out a situation was developed on the frontiers of India which led to increased military activity and the absorption of all available resources for Army purposes, with the result that practically no additional funds were found for the work of Education. And in 1888 the Government of India actually issued a Resolution stating that, as the duty of Government in regard to Education was that of merely pioneering the way, and as that duty had on the whole been done, the contributions of the State to Education should thereafter have a tendency to decrease. Thus, while in the West the Governments of different countries were adopting one after another a system of compulsory and even free primary education for their subjects, in India alone the Government w:

anxious to see its paltry contribution to the education of the people steadily reduced! In the quinquennium from 1885-86 to 1889-90 the State grant to Education rose from 124·3 lakhs to 131·6 lakhs only, i.e., by less than 6 per cent., and this in spite of the fact that the amount for the latter year included State expenditure on Education in Upper Burma which the former year did not. Since 1889-90 the advance under the head of Educational expenditure from State funds has been slightly better, but part of this increase since 1893 has been due to the grant of exchange compensation allowance to European officers serving in the Educational Department throughout India. It is only since last year that the Government of India has adopted the policy of making special grants to Education, and I earnestly hope that, as year follows year, not only will these grants be increased, but they will be made a part of the permanent expenditure of the State on Education. In this connection I would earnestly press upon the attention of Government the necessity of making Education an Imperial charge, so that the same attention which is at present bestowed by the Supreme Government on matters connected with the Army Services and Railway expansion might also be bestowed on the education of our people. Under present arrangements, Education is a Provincial charge and the Provincial Governments and Administrations have made over Primary Education to local bodies whose resources are fixed and limited. No serious expansion of educational efforts is under such arrangements possible. In the Bombay Presidency, for instance, District Local Boards, which have charge of Primary Education in rural areas, derive their revenue from the one-anna cess which they have to devote in

certain fixed proportions to Primary Education, Sanitation and Roads. Now, our revenue-settlements are fixed for 30 years ; which means that the proceeds of the one-anna cess in any given area are also fixed for 30 years ; and as Government, as a rule, contributes only $\frac{1}{3}$ rd of the total expenditure of these Boards on Education, it is clear that the resources that are available at present for the spread of Primary Education in rural areas are absolutely inelastic for long periods. There are altogether about $5\frac{1}{2}$ lakhs of villages in British India, out of which, it has been calculated, four-fifths are at present without a school ; the residents of these villages pay the local cesses just like other villagers, and yet the necessary educational facilities for the education of their children are denied them !

The position as regards the spread of primary education and the total expenditure incurred in connection with it in different countries is shown in the following table. The figures are taken from the Reports of the United States Commissioner of Education, and are for 1897 or 1898 or 1899 or 1900 as they have been available :—

[Note.— This Speech does not end here.]

Name of Country.	Population in Millions.	Total enrolment in Primary Schools in Millions.	Ratio of enrolment to population.	Total expenditure in millions of pounds.	Expenditure per head of population.	Remarks.
EUROPE.						
Austro-Hungary .	41 4	6.2	15	5 35	s. d. 2 6	Expenditure figures not available. *On public Schools only, which enrol about three-fourths the total.
Belgium ...	6 7	.8	14.5	15	4 6	
Denmark ...	2 2	.3	14	...	...
France ...	38.5	5.5	14.4	8.9*	4 11	
Prussia ...	34.5	6.3	20	9 2	5 4	Figures of expenditure not available.
England and Wales...	31 7	5 7	17.7	12.1	5 0	
Scotland ...	4.3	.7	17	1.6	7 8	
Ireland ...	4.5	.8	17.6	1 2	5 5	
Greece ...	2.5	.16	6.7	Do. do. †State contribution only. Figures of expenditure not available.
Italy ...	32	2.4	7.3	2.5	1 7	
Norway ...	2	.3	16.4	4.6	4 6	
Portugal ...	5	.24	4.7	...	..
Russia ...	126 5	3 8	3	4†	0 8	Expenditure figures not available.
Spain ...	18 2	1.4	7.4	...	...
Sweden ...	5.1	7.4	14.5	1.1	4 2	
Switzerland ...	3.1	.65	20.7	13	8 5	
ASIA.						
India (British) ...	221.2	3 16	1.4	.76	0 83	
Japan ...	42.7	3.3	7.8	2	0 11	
AFRICA.						
Cape Colony ...	1 5	.15	9.65	.27	3 6	Expenditure figures not available.
Natal ...	.54	.02	4.50	.06	2 2
Egypt ...	9 7	.21	2.17	...	...
AMERICA.						
United States ...	75 3	15.3	20.9	44.5	9 10	
Canada ...	5.2	.95	18	2	7 9	
AUSTRALASIA.						
	4.3	.79	18	2.5	11 7	

The figures of expenditure on Higher Education in various countries are also most interesting and instructive :—

Name of country.		Total amount spent.	Expenditure per capital of population.
Austria	...	56 millions sterling.	6d.
Belgium	...	16 "	6d.
Denmark	...	06 "	8d.
France	...	92 "	6d.
Germany	...	1.6 "	7d.
Great Britain & Ireland.	...	1.7 "	11d.
Greece	...	02 "	2d.
Italy	...	46 "	3½d.
Norway	...	04 "	4d.
Russia	...	95 "	2d.
Spain	...	10 "	1½d.
Sweden	...	14 "	6½d.
Switzerland	...	14 "	11d.
United States	...	3.5 "	11d.
Canada	...	21 "	10d.
Australasia	...	13 "	8d.
India	...	28 "	¼d.

Except in England, the greater part of the cost of higher education, about three-fourths and in some cases even more, is met everywhere out of the funds of the State.

My Lord, even allowing for the difference in the purchasing power of money in this country and elsewhere, these figures tell a most melancholy tale and show how hopelessly behind every other civilised nation on the face of the earth we are in the matter of public education. It is sad to think that, after a hundred years of British rule, things with us should be no better than this, and, unless the work is taken up with greater confidence and greater enthusiasm, there is small hope of any real improvement in the situation taking place. In other countries, national education is held to be one of the most solemn duties of the State, and no effort or money is spared to secure for

the rising generations the best equipment possible for the business of life. Here it has so far been a more or less neglected branch of State duty, relegated to a subordinate position in the general scheme of State action. Now that an era of substantial surpluses has set in, Government will not find themselves debarred from taking up the work in right earnest by financial difficulties. In this connection, I respectfully desire to make one suggestion—viz., that henceforth, whenever there is a surplus, it should be appropriated to the work of promoting the educational and industrial interests of the country. At present these surpluses go to reduce the amount of our debt, but, as the Hon'ble Sir Edward Law has pointed out in the Financial Statement, our burden of debt is by no means heavy, and there are valuable assets on the other side to cover the whole of it. Surpluses, after all, mean so much more taken from the people than is necessary for the purposes of the administration, and I think it is most unfair that these surplus revenues should be devoted to the reduction of a debt which is not at all excessive, when questions concerning the deepest welfare of the community and requiring to be taken in hand without any delay are put aside on the ground of want of funds. We have seen that the surpluses during the last five years have amounted to over 22 crores of rupees. If this vast sum had been set apart for the promotion of our educational and industrial interests instead of being needlessly devoted to a reduction of debt, what splendid results the Government would have been able to shew in the course of a few years!

! My Lord, the question of expenditure lies really at the root of the whole educational problem. The coun-

try has recently been agitated over the recommendations of the Universities Commission appointed by Your Excellency's Government last year. I do not desire to say anything on the present occasion on the subject of University reform, but it strikes me that, if Government made its own institutions really model ones by bringing up their equipment to the highest standard and manning them only with the best men that can be procured both here and in England, the private colleges would necessarily find themselves driven to raise their own standard of equipment and efficiency. And if a number of post-graduate research scholarships were established by Government to encourage lifelong devotion to higher studies, the whole level of higher education in the country will be raised in a manner satisfactory to all. I think it is absolutely necessary that men whom the Government appoints to chairs in its own colleges should set to their students the example of single-minded devotion to learning, and should, moreover, by their tact and sympathy and inborn capacity to influence young men for good, leave on their minds an impression which will endure through life. Only such Englishmen as fulfil these conditions should be brought out, and I would even pay them higher salaries than at present if the latter are found to be insufficient to attract the very best men. They should further be not young men who have just taken their degree, but men of some years' educational standing, who have done good work in their subjects. My Lord, it is difficult to describe in adequate terms the mischief that is done to the best interests of the country and of British rule by the appointment of third or fourth rate Englishmen to chairs in Government colleges. These men are unable to command that respect from their students which they think to be due

to their position, and then they make up for it by clothing themselves with race pride, which naturally irritates the young men under them. The result often is that young students leave college with a feeling of bitterness against Englishmen, and this feeling they carry with them into later life. On the other hand, the influence which a first class Englishman who knows how to combine sympathy with authority exercises upon his pupils, shapes their thoughts and feelings and aspirations throughout life, and they continue to look up to him for light and guidance even when their immediate connection with him has come to an end. My Lord, the question of technical instruction has often been discussed during the past few years in this country, and some time ago Your Excellency was pleased to ask if those who so often spoke about it had any definite proposals of their own to make. I do not, however, see how such a responsibility can be sought to be imposed upon our shoulders. Government have command of vast resources, and they can procure without difficulty the required expert advice on the subject. If a small Commission of competent Englishmen and Indians, who feel a genuine enthusiasm for technical education, were deputed to those countries where so much is being actually done by their Governments for the technical instruction of their people to study the question on the spot, in a year or two a workable scheme would be forthcoming, and with the large surpluses which the Hon'ble Finance Member is now able to announce year after year, a beginning could almost at once be made, and actual experience would suggest the rest.

My Lord, there is one more question on which I beg leave to offer a few observations. The question of the wider employment of Indians in the higher branches of Public Service of their own country is one which is

intimately bound up, not only with the cause of economic administration, but also with the political elevation of the people of India: There is no other country in the world where young men of ability and education find themselves so completely shut out from all hope of ever participating in the higher responsibilities of office. Everywhere else, the Army and the Navy offer careers to aspiring youths which draw forth from them the best efforts of which they are capable. These services, for us in this country, practically do not exist. The great Civil Service, which is entrusted with the task of general administration, is also very nearly a monopoly of Englishmen. But it is not of these that I propose to speak to-day. I recognise that, in the present position of India, our admission into these fields of high employment is bound to be very slow, and I can even understand the view that, for the purpose of maintaining British supremacy intact, there must be for many years to come a large preponderance of Englishmen in the ranks of these services. But, my Lord, our exclusion from high office does not end here. In all the Special Departments or Minor Services, as they are called, our position is even worse. In the Judicial and Executive branches of the Public Service, the subordinate ranks at any rate are manned by us. But in such departments as Forests, and Customs and Salt and Opium, our exclusion from even lower ranks is practically complete. Thus, in the Survey Department of the Government of India, there are altogether 132 officers, with salaries ranging from 300 to 2,200 rupees a month, and of these only two are Indians and they are in the last grade of Rs. 300. There are, moreover, 45 officers in this Department whose salaries range between Rs. 160 to 300, and even among these, only ten are Indians. Again, tak-

the Government. Telegraph Department. There are 52 appointments in it, the salaries of which are Rs. 500 a month and more, and of these only one is an Indian. In the Indo-British Telegraph Branch, there are 13 officers with salaries above five hundred rupees a month, and among these there is not a single Indian. In the Mint Department, there are six officers with salaries above five hundred, and there too, there is not a single Indian. So too in the Post Office. Last year there was only one Indian in that Department among the ten men who drew salaries above five hundred. But he was a member of the Civil Service, and it was in this capacity that he was there. In the Geological Survey, 2 out of 14 officers, drawing salaries above Rs. 500, are Indians; in the Botanical Survey, none. In the Foreign Department, out of 122 such officers, only 3 are Indians; under Miscellaneous there are 22 such officers, but not a single Indian is among them. It is only in the Financial Department that there is any appreciable proportion of Indians, namely, 14 out of 59, among those whose salaries are above five hundred a month. Turning to the Departments under Provincial Governments, and taking the Presidency of Bombay, we find that in the Forest Department there are 21 officers whose salaries and allowances come to Rs. 500 and above a month; of these only one is an Indian. In the Salt Department, there are 13 places with salaries above four hundred a month, and not a single one among these is held by an Indian. In the Customs Department of Bombay, there are 13 officers who draw Rs. 300 a month and above, and of these only three are Indians. The Medical Department is, of course, practically a monopoly of Englishmen. In the Police Department, there are 9 officers, classed as Superintendents and Assistant

Superintendents with salaries from Rs. 200 upwards, and there is not a single Indian among them. Only among 11 Probationary Assistant Superintendents there are 4 Indians. In the Educational Department, there are 25 officers drawing salaries of Rs. 500 and above, and of these only 5 are Indians. In the Public Works Department the proportion of Indians is larger, there being 26 Indians classed as Executive Engineers and Assistant Engineers out of 81 Superior Officers of the Department. Turning next to Bengal, we find that in the Forest Department there are 26 officers whose salaries range between Rs. 200 and Rs. 1,200 a month, and among these only 2 are Indians and they are in the lowest grades. In the Salt Department there are 4 officers with salaries ranging from Rs. 300 to Rs. 1,000. There is no Indian among them. In the Customs Department there are 41 appointments, with salaries ranging from Rs. 260 to Rs. 2,250; not a single one among them is held by an Indian. In the Opium Department there are 87 officers with salaries coming down from Rs. 3,000 to so low a point as Rs. 140 a month; only 12 out of these are Indians. Two officers belong to the Stamps and Stationary Department and draw Rs. 1,120 and Rs. 500 a month; but neither of them is an Indian. In the Jail Department there are 1 Inspector-General, 12 Superintendents and 4 Deputy Superintendents. There is only one Indian among them, and he is in the rank of Deputy Superintendent. In the Educational Department there are 59 officers drawing Rs. 500 and above, and out of these only 10 are Indians. Lastly, in the Public Works Department, 84 officers draw a salary of Rs. 500 a month and above, of whom only 15 are Indians. The other provinces tell the same mournful tale, and I do not wish to

trouble the Council with any more details in this matter.

Now, my Lord, I would respectfully ask if such virtual exclusion of the children of the soil from these Special Departments can be justified on any grounds. Reasons of political expediency may be urged for our exclusion from the Army. It might also be urged with some show of reason that the Civil Service of India must continue to be recruited, as at present, by means of a competitive examination held in London, because that Service represents the traditions of British rule to the mass of the people, and its members must, therefore, be imbued with the English spirit and be familiar with English modes of thought and that in theory at any rate Indians are free to compete for entrance into the service on the same terms as Englishmen. But why this shutting out of our people from the Special Departments also? There is no question of political expediency involved here. If Indians are found to sit on High Court Benches with dignity to themselves and honour to their country, it cannot be contended that they would be found wanting, if they were entrusted with responsible duties in the Opium or Salt or Customs Department. If it be argued that for the technical instruction that is necessary in the Telegraph and some other Departments there are no adequate facilities in the country, the answer to that is that Government should provide those facilities to the people of this country. But the virtual monopoly of these Departments is so jealously guarded that where competitive examinations for entrance into them exist, those examinations have been surrounded with stringent restrictions such as are unknown in the case of the great Civil Service. Thus while an Indian, by passing Indian Civil Service Examination, might one day be Head of a District or of a Division as some Indians

actually are at present, no Indian is allowed to compete for entrance into the Police Department at the competitive examination that is held in London, because, if he passed, he might one day be the head of the Police in a district. Again, only two years ago the rules for admission into the Engineering and Telegraph Departments from Cooper's Hill were altered with the express purpose of preventing more than two Indians in any particular year from entering those services. This alteration of the rules was a grievous wrong done to the people of India, and it has produced a feeling of bitter resentment throughout the country. In the Educational and Public Works Departments, our numbers are slightly more satisfactory than in the other departments, but even here the constitution of a Provincial Service, with a lower status and a lower scale of pay, has caused much dissatisfaction and discontent. My Lord, if all posts were equally open to Indians and Europeans, something may be said in favour of paying the Indian a smaller salary, if Government in the interests of economic administration preferred the Indian to the Englishman, when both were equally eligible; but to restrict the employment of Indians and at the same time to pay such of them as are employed a lower salary is to inflict upon them a double disadvantage, the reason for which it is not easy to understand. My Lord, the Universities turn out every year a large number of young men who have received a fairly high education. It is a natural aspiration on the part of many of them to seek responsible employment in the service of their own country. If they find a bar in front of them, whichever way they turn, how can they be blamed if they occasionally show signs of discontent? They belong to what may be called the articulate classes of this country, and what they say sinks slow

but steadily into the minds of the mass of the people. We have been promised equality of treatment, both in the Act of 1883 and the Proclamation of 1858. I for one am prepared to allow that such equality of treatment is under existing circumstances possible only within certain limitation; only I am anxious that there should be a constant movement in the right direction, and that, as year succeeds year, the sphere of employment should widen for my countrymen more and more. I ask this in the name of good policy as well as of justice, and I earnestly trust that the spirit of my remarks will not be misconceived.

My Lord, I must apologize to the Council for having spoken at such unconscionable length and strayed over a somewhat wide variety of topics. But this is the only day in the year when the non-official Members of the Council find an opportunity to place before Government their views, such as they may be, in regard to the more important questions connected with the administration of India. No one denies that the difficulties of the position are great, and no one expects radical or far-reaching changes all in a day. What one regrets most, however, in the present system of administration is that it favours so largely a policy of mere drift. The actual work of administration is principally in the hands of members of the Civil Service, who, taken as a body, are able and conscientious men; but none of them individually can command that prestige, which is so essential for inaugurating any large scheme of policy involving a departure from the established order of things. The administrators, on the other hand, who come out direct from England, command, no doubt, the necessary prestige, but their term of office being limited to five years, they are not the opportunity, even if they had the will, to deal effective and thorough-going manner with the deeper

problems of the administration. The result is that there is an inveterate tendency to keep things merely going, as though every one said to himself: 'This will last *my* time.' What the situation really demands is that a large and comprehensive scheme for the moral and material well-being of the people should be chalked out with patient care and foresight, and then it should be firmly and steadily adhered to, and the progress made examined almost from year to year. My Lord, speaking the other day at the Imperial Assemblage at Delhi, Your Lordship was pleased to observe:—

If we turn our gaze for a moment to the future, a great development appears with little doubt to lie before this country. There is no Indian problem, be it of population or education or labour or subsistence, which it is not in the power of statesmanship to solve. The solution of many is even now proceeding before our eyes.

The India of the future will, under Providence, not be an India of diminishing plenty, of empty prospect, or of justifiable discontent; but one of expanding industry, of awakened faculties, of increasing prosperity, and of more widely distributed comfort and wealth. I have faith in the conscience and purpose of my own country, and I believe in the almost illimitable capacities of this. But under no other conditions can this future be realised than the unchallenged supremacy of the Paramount Power, and under no other controlling authority is this capable of being maintained than that of the British Crown.

My Lord, the people of India have all along accepted with willing allegiance the condition so justly insisted upon by Your Lordship, namely, the unchallenged supremacy of the Paramount Power, and the faith expressed in the purpose and conscience of England is our main ground of hope for the future. Both sides stand to lose a great deal if their harmonious co-operation is ever disturbed, and working in a spirit of mutual understanding and appreciation, they may realise for this country an honoured position among the nations of the earth and for England the glory of having helped India to such a position.

BUDGET SPEECH, 1904.

[At a meeting of the Imperial Legislative Council held on Wednesday the 30th March 1904, His Excellency Lord Curzon presiding, the Hon. Mr. G. K. Gokhale spoke as follows on the Financial Statement for 1904-05, presented by the Hon. Sir Edward Law:—]

Your Excellency, I join heartily in the congratulations which have been offered to my Hon'ble friend the Finance Member on the very interesting Financial Statement which he has presented to the Council this year. I think the Hon'ble Member has been the luckiest Minister that has ever held charge of the Financial Portfolio in this country. Large surpluses have been the order of the day during his time. They, indeed, began before he took charge of his office. For the year that is about to close is the sixth year in succession when a large surplus has been realised. In the opening paragraphs of the new Financial Statement, the surplus for the closing year is shown at £2,711,200, i.e., a little over four crores of rupees. But, as Mr. Baker points out in his note, the true surplus is about 6 72 crores and of this sum special grants, aggregating 2·65 crores, have been made to Provincial Governments. We thus have the extraordinary phenomenon of a year in which taxes bringing in a revenue of close upon two crores of rupees were remitted, showing, in spite of the remission, a surplus of about 6½ crores. Never before, my Lord, were such huge surpluses realised in the history of Indian finance, and the fact that they have shown themselves year after year for six years in succession proves conclusively that the level of taxation has been fixed much higher than the needs of public expenditure require or the circumstances of the country justify. The surpluses of the last six years have

aggregated nearly 29 crores of rupees. If we take the twenty years immediately preceding this period of six years, we find that the total of surpluses in those years was only $17\frac{1}{2}$ crores and the total of deficits $19\frac{1}{2}$ crores—or a net deficit of two crores. A total surplus of 29 crores in six years as against a net deficit of two crores in twenty years—this illustrates with sufficient clearness the startling change that has taken place in the position of the country's finances. What has brought about this change? There have been no sudden accessions to the wealth of the people, nor has a policy of severe retrenchment been adopted, resulting in a reduction of public burdens. On the other hand, the earlier years of the periods were marked by two of the severest famines that India has ever known, causing enormous losses to the people in crops and cattle, and necessitating a large outlay on the part of the Government for famine relief; and during the later years there has been a notable increase in public expenditure. How then have these large and recurring surpluses been caused? The explanation, my Lord, is not far to seek. For twelve years, from 1885 onwards, the country passed, financially speaking, through a period of exceptional storm and stress, the falling rupee and the failing opium causing the Finance Minister the utmost anxiety and giving him practically no rest. And the level of taxation had to be continuously raised so as to maintain, even in the most adverse circumstances, a budgetary equilibrium between the revenue and the expenditure of the country. The lowest point reached by the rupee was 13*d*. The lowest level reached by opium-revenue was about five crores of rupees. Since then the rupee has risen to 16*d*. and has firmly established itself there, owing to the currency legislation of Government, and a rise of

3d. means a saving of about five crores in the remittances necessary to cover the home charges. There has also been a remarkable recovery in the opium-revenue, the figure for the closing year being actually over $8\frac{1}{2}$ crores. The rise in the rupee and the recovery in the opium-revenue have thus brought about an improvement of about eight crores a year in the financial position of the Government of India. From this we must deduct about two crores, being the amount remitted last year, under the salt-tax and the income-tax; and if we assume that the normal increases in the ordinary sources of revenue go to cover the normal increases in expenditure, we get, on the present basis of taxation, an annual surplus of about six crores of rupees. It may, however, be urged that the improvement in the opium-revenue may not last and that it is not prudent to lower the level of taxation on the strength of the present improvement. Even allowing this to be so, we still have a large permanent excess of revenue over expenditure, and this excess fully justifies a prayer on the part of the people for further remission of taxation. The relief granted last year evoked a general feeling of gratitude throughout the country and nobody has forgotten it. Looking, however, to the prosperous condition of the national exchequer, we feel we are entitled to ask for a larger measure of relief. My Lord, in the twelve years of storm and stress to which I have referred, it was perhaps necessary for the Finance Minister to act on the safe, if somewhat over-cautious, plan of under-estimating the Revenue and over-estimating the expenditure. But though the difficulties of that position have passed away, the tradition, once established, still holds the field. And our budget estimates continue year after year to be so framed as to show the smallest possible plus, when everyone, including, I believe, the Finance

Member himself, fully expects that a large surplus will be realised at the end of the year. My Lord, an equilibrium between the ordinary revenue and the ordinary expenditure is of course a necessity in a solvent nation's finance. Under favourable conditions, even extraordinary charges might be met out of revenue. And further, to assure the position, a moderate surplus may be provided for. But anything beyond this is opposed to all the received canons of good finance. Nothing, to my mind, can be more indefensible than to raise from the people, year after year—as has been done for the last six years—a larger revenue than is fairly needed for the requirements of the country. As Major Baring (now Lord Cromer) put it in his Financial Statement for 1882-83 :—

It is, of course, desirable to estimate for a moderate surplus. But to keep on taxes in order to secure too large a surplus is unjustifiable.

The Hon'ble Member himself expressed a similar view in his Financial statement of last year. In announcing last year's remission of taxation, he said :—

In view of the present satisfactory situation, it is the opinion of the Government of India that it is neither desirable nor good financial policy to continue levying taxation at present rates, yielding such large recurring surpluses as have been realised during the last four years. It is true that our expenditure is necessarily increasing with the increasing development of the country, and some of our present sources of revenue do not show much sign of elasticity. But for the present our receipts are in excess of our needs, and even should it be necessary some years hence to seek the means of increasing revenue we hold that we are not justified in continuing taxation at its present level during an interval which we trust may be prolonged.

My Lord, in a country admittedly so poor as India, where, again, the people are just emerging from a series of calamitous years, it is essential that the weight of public burdens should be kept as light as possible. The existence of a large surplus is a direct invitation to the Government to increase expenditure, and further it

constitutes a temptation to the authorities in England to try and shift a portion of their own burdens to the shoulders of the Indian Government. I cannot help wishing, therefore, that my Hon'ble friend had seen his way, in view of his large surplus, to recommending further relief to the taxpayers of this country. As the recurring surpluses have been made possible by the currency legislation of the Government, it is but fair that the class whose interests have been most adversely affected by that legislation—the bulk of our agricultural population—should receive the major portion of whatever relief is granted. My Lord, the fall in general prices as a result of the artificial appreciation of the rupee has, I think, already begun, however its operation may be hidden from view by other causes. The Hon'ble Member himself seems to recognise this, inasmuch as he warns us to be prepared for a decline of prices during the next few years. When the full effects of the currency legislation unfold themselves and the final adjustment of prices to the standard of the new rupee takes place, it will be found that a grievous addition has been made to the burdens of the agricultural producer and that virtually his assessment has been enhanced by nearly fifty per cent. The delay that has occurred, owing to various circumstances, in such adjustment taking place, has enabled some people—including even persons in high authority—to make very astonishing claims for the new rupee. Thus we find that the late Secretary of State for India, at the time of presenting the last Indian Budget to Parliament, expressed himself as follows :—

While the exchange value of the rupee has externally risen, and has without difficulty been maintained practically at the rate of 1s. 4d., prices have not been adversely affected. In fact, the prices of commodities of general consumption have risen rather than fallen. By reducing the number of rupees to be remitted to

this country to meet gold obligations, surplus after surplus has been secured during the past four years. And the present remission of taxation is mainly due to the success of our present currency policy.

I do not wish to trouble the Council with any lengthy discussion on this point, but all I would like, to ask is, if the Secretary of State for India really imagines that such an impossible feat as that of raising the exchange value of the rupee without involving an indirect increase in the taxation of the country can be performed, what is there to prevent the Government of India from raising the rupee still higher—say, to 1s. 6d. or 1s. 9d. or even 2s. The surpluses then would be even larger than now and as, according to Lord George Hamilton's argument, no harm is done to anybody in India by such artificial appreciation, there is no reason whatever why such a wonderfully easy and simple method of increasing the resources at the disposal of the Government should not be adopted. I think, however, that the Lords Commissioners of the Treasury showed a better appreciation of the rupee than the late Secretary of State for India, when, in a letter, dated 24th November 1879, they wrote :—

It appears too that the Government of India, in making the present proposal, lay themselves open to the same criticisms as are made upon Governments which have depreciated their currencies. In general, the object of such Governments has been to diminish the amount they have to pay to their creditors. In the present case, the object of the Indian Government appears to be to increase the amount they have to receive from their taxpayers. If the present level of exchange be due to the depreciation of silver, the Government scheme, if it succeeds, may relieve the Indian Government and others, who desire to remit money to England, but this relief will be given at the expense of the Indian taxpayer or with the effect of increasing every debt or fixed payment in India, including debts due by raiyats to money-lenders.

I submit, my Lord, that there should really be no difference of opinion on this point and that

the authors of the currency policy should freely admit that, whatever its counter balancing advantages may be, that policy involves a most heavy indirect addition to the burdens, especially of the agricultural population, when its full effects manifest themselves. Of course we all recognise that a reversal of the currency policy, adopted more than ten years ago, is not now within the pale of practical politics. But that only imposes upon the Government the responsibility to take every opportunity that offers itself to grant such relief, as may be reasonably possible, to those to whom the State undoubtedly owes some reparation.

My Lord, I think that three particular forms of relief may be specially suggested for the consideration of Government on the present occasion. The first is the abolition of the excise duty on cotton goods; the second is a further reduction of eight annas in the salt-tax; and the third is a lowering of the land-revenue demand—especially in the North-West Provinces, Bombay and Madras. Of these the subject of excise duty has been more than once discussed in this Council, and I do not wish to refer to it at any length to-day. I think there is now no doubt that this duty is really paid by the consumers, which means by the bulk of our poorer classes; and thus, while it hampers the mill industry to a considerable extent, it also constitutes a serious and perfectly unnecessary addition to the burdens of our poorer classes. The Hon'ble Member says that:

It is impossible to believe that the average enhanced cost to the individual consumer of cotton cloth on account of the excise exceeds $3\frac{1}{2}$ annas per annum.

But I submit that even $3\frac{1}{2}$ annas a year is a serious matter to those whose annual income—taking official calculations alone—does not exceed

Rs. 72, as calculated by Sir David Barbour and Lord Cromer, or Rs. 30, as calculated by Your Excellency three years ago, and whose normal state is one of abject poverty and, in the case of a considerable proportion, even of chronic destitution. I think, my Lord, that the arguments in favour of the abolition of this duty are unanswerable and that the moral effect of its maintenance is even more disastrous than the financial or economic one. The Hon'ble Member has, however, urged a strange plea in his Financial Statement to justify the continued levy of so objectionable a duty, and I confess it has surprised me not a little. The Hon'ble Member says :—

Moreover, it must be remembered that a certain amount of revenue is a necessity to provide for the administration of the country and the cotton excise dues now return upwards of 20½ lakhs, having increased from Rs. 11,62,947 in 1900-01. It is very easy to object to any and every class of taxation, but those who make objections should, I think, offer suggestions as to how revenue could be maintained if their objections were to be admitted.

My Lord, if my Hon'ble friend really believes that the excise duty is maintained because it brings in a revenue which the Government cannot afford to give up, he is probably the only man in India or in England who thinks so. Moreover, can the Hon'ble Member be serious when he advances such an argument with a surplus of nearly 6½ crores in hand, reduced to four crores by special grants made to Provincial Governments? Why, my Lord, instead of the Government being unable to sacrifice 20 lakhs a year, there seems to be such a plethora of money in the country's exchequer that the Government do not know what to do with it! I could have understood Sir Auckland Colvin or Sir David Barbour or Sir James Westland using the language that my Hon'ble friend has used. But he, the fortunate realiser of

surplus after surplus—such as were never before dreamt of in the history of Indian finance—surely he must not speak as though he knew not which way to turn to make the two ends meet!

My second suggestion for granting further relief to the poorer classes of the country is that another eight annas should be taken off the salt duty. This duty was reduced by eight annas last year, and the measure of relief was received with deep gratitude throughout the country. The reduction might, however, be carried still further without any inconvenience. The salt-duty question in India is essentially a poor man's question: for it is the poorer many—and not the richer few—who eat more salt when it is cheap and less when it is dear. The soundest and best policy in the matter—even financially—would, therefore, seem to be to raise an expanding revenue on an expanding consumption under a diminishing scale of duties. Again, every reduction effected in this duty gives the Government a valuable financial reserve, which may be used without difficulty in times of sudden emergency. A further reduction of the salt duty is, therefore, from every point of view a most desirable form of relief. In this connection, there is one matter which I would respectfully urge upon the attention of Government. The manufacture of salt in India is strictly under Government control, and practically a Government monopoly. And the monopoly is enforced under restrictions and in a manner which have the effect of transferring about a third of the industry to the foreign manufacturer. Numerous small salt-works which formerly existed on the coast have been suppressed and the manufacture has been concentrated at a few places with a view to bringing it under effective control. The result is restricted production. We have an extensive

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sea-board and salt-mines too, and can manufacture every pound of salt we need. And yet, under the existing fiscal system, about a third of our supply comes from foreign countries. The following figures, taken from the Material and Moral Progress Report for 1901-02, are instructive :—

Imports of salt from	1891-92.	1901-02.
	Cans,	Tons,
The United Kingdom ..	222,300	259,200
Germany ...	103,400	76,700
Red Sea and Persian Gulf Ports ...	45,700	147,700
Other ...	2,600	32,600
TOTAL ...	374,000	516,200

The imports have thus increased 38 per cent. in ten years! I submit that in respect of such a prime necessary of life as salt—especially when we have plenty of it within the four corners of this country—we ought not to be forced to depend on foreign supplies to a steadily-increasing extent!

The third measure of relief which I would respectfully urge upon the attention of Government is a lowering of the land-revenue demand, especially in the North-West Provinces, Bombay, and Madras. The most noticeable feature of this branch of revenue is its large and almost continuous increase. In 1890-91 it stood at 24·04 crores. Its rise since then may be seen from the following figures :—

1890-91	...	24.04	crores.
1893-94	...	25.58	"
1895-96	...	26.20	"
1898-99	...	27.16	"
1901-02	...	27.432	"
1903-04 (Revised)	...	28.89	"
1904-05 (Budget)	...	29.38	"

An increase of over 22 per cent. in fourteen years !

On the other hand, the figures of cropped acreage are :—

1890-91	...	194.41	millions of acres.
1893-94	...	197.38	" "
1895-96	...	188.02	" "
1898-99	...	196.48	" "
1900-01	...	198.31	" "

Or an increase of just 2 per cent. in eleven years !

Coming to the three Provinces that I have specially mentioned, we have the following interesting figures :—

North-Western Provinces.

Year.	Ordinary land-revenue, Crores.	Cropped area, millions of acres.
1886-87 ..	580.7 lakhs.	34.01
1902-03 ..	636 "	34.01 "

Or an increase of nearly 10 per cent. in revenue on a practically stationary cropped acreage.

Madras.

Year.	Land-revenue.	Cropped area.
1886-87 .	460.5 lakhs.	23.01 million acres.
1902-03 .	582.5 "	24.50 " "

Or an increase of nearly 25 per cent. in revenue with an increase of only $6\frac{1}{2}$ per cent. in the cropped acreage.

Bombay.

Year.	Land-revenue.	Cropped area.
1886-87 ...	270 lakhs.	24.2 millions.
1894-95 ...	289 "	24.5 "
1900-01 ...	298.2 "	21 "

Or an increase of 13 per cent. in revenue with hardly any increase in the cropped area, which shows some fluctuations owing to the prevalence of famine during the closing years of the last century.

My Lord, agriculture is the only surviving economic stand-by of the mass of the people, and yet no industry in the country is in deeper distress. The soil, under a system of generally unmanured cultivation, is undergoing steady exhaustion. The yield of crop per acre is falling—being now little more than 9 or 10 bushels as against 20 to 35 bushels in western countries with far less favourable agricultural conditions. And the raiyat in most parts is a poor, struggling cultivator, with his resources all but exhausted, and himself more or less involved in debt. In these circumstances, the increases of land-revenue—especially in the Provinces referred to above—are large, and weigh with undue pressure on the land. And I submit that the question of granting relief to the hard-pressed cultivators by the lowering of the assessment is one which, in the present precarious condition of the country's exchequer, deserves favourable consideration at the hands of Government. While on this subject I beg to acknowledge with pleasure and gratitude the liberal action of the Bombay Government in granting considerable reductions of assessment in the Guzerat districts. These reductions amount to 5·30 lakhs on an aggregate assessment of 85 lakhs—or over 6 per cent. Strangely enough, however, the Government have declined to concede any such relief to the Dekkhan raiyats, and yet the case of the Dekkhan is the most urgent. The Dekkhan is an arid upland with a poor soil and a precarious rainfall, and yet pays an aggregate assessment of 120 lakhs on a cropped acreage of 11 millions of acres. The MacDonnell Commission have expressed the opinion that it is not only a full assessment, but weighs harder on the Dekkhan peasantry than elsewhere on account of scanty crop-yield, and is one of the causes of agricultural indebtedness. Besides, during the

calamitous decade ending with 1901, this tract suffered as no other did throughout the country. The population declined from 62·1 lakhs to 59·4 lakhs; the cropped area fell off, and the crop-losses amounted to over 50 crores of rupees. The cattle loss was over 42 per cent. and there was an alarming increase of agricultural debts. Altogether there was in these districts a degree of agricultural deterioration and economic exhaustion such as had not been witnessed in any part of the country during the last century. And yet so far the only reductions which the Bombay Government have announced amount to a trifle over Rs. 3,000!

My Lord, in explaining an increase of half a million sterling under excise-revenue in the revised estimates for the closing year, the Hon'ble Member says—'Increase of revenue is undoubtedly in great measure due to improved administration and greater attention to improvement in the condition of the people,' which is the Hon'ble Member's paraphrase of the expression 'increased consumption' And he proceeds to observe—

Satisfactory as this is from one point of view—a growth of revenue, we could not regard with satisfaction any increase which might possibly be attributed to increased consumption of alcohol in excess of the legitimate requirements of those classes among the population to whom, from long habit and custom, alcohol in moderation is a virtual necessity. There is no desire on the part of the Government of India to increase revenue by encouraging indulgence in alcohol. It is a matter in which we feel our full responsibility, which undoubtedly requires constant, careful watching, and to which at the present moment we are devoting special attention in the interests of temperance and morality.

This declaration of the Hon'ble Member will be welcomed with sincere satisfaction throughout the country. The revenue under Excise shows an alarming growth during the last twenty years, having risen from 3·63 crores in 1882-83 to 6·64 crores in 1902-03,

an increase of 82 per cent., or taking the year 1903-04 to 7·4 crores, i.e., an increase of over 100 per cent. in 20 years. The increase in population during the period has been only 15 per cent. Part of the increase in the revenue has no doubt been due to enhancements of excise-duties and to stricter preventive measures. But a large part has been owing, as admitted by the Finance Member himself, to increased consumption. The import of liquors too has increased during the time by over 35 per cent., having risen from 4·12 million gallons to 5·57 millions. All things considered, there is the clearest evidence to show that the curse of drink is on the increase, especially among the lower classes and the wild aboriginal tribes, spreading ruin and misery among them. As appears from the Material and Moral Progress Report for 1901-02, in Bengal the consumption of country spirits in distillery areas shows an expansion of 55 per cent., having advanced from 3·9 lakhs of gallons to over 6·1 lakhs during the decade 1891-92 to 1901-02. So, too, in the United Provinces of Agra and Oudh, the reported consumption of country spirits was 24 per cent. higher. No accurate statistics are forthcoming on this point, but the fact of an expanding consumption is undoubted, and it behoves the authorities anxiously to consider whether more effective measures could not be devised than at present with a view to checking the spread of consumption of these intoxicants among the poorer classes. It is true that some reduction has been effected in the number of shops, but in this matter as much depends upon the sites of these shops as on their number—perhaps more. Were shops to be set down opposite schools, colleges, places of worship, hospitals, etc., as the Hon'ble Mr. Woodroffe said the other day in the Bengal Legislative

Council they were in Calcutta itself, it would be of little avail to reduce merely their total number. Local option is the only remedy for an evil such as this. In the Material and Moral Progress Report to which I have already referred, we are told that definite orders have been passed in accordance with the principle formulated by the Government of India in 1890 to the effect that before any new site is fixed for the establishment of a shop, reference shall be made to local opinion and that any reasonable objection shall be entertained. The instruction here described as authoritatively laid down is as it should be ; but it is open to question how far it is acted on in practice. Instances can be cited of shops, in reference to the location of which no deference whatever has been shown to local opinion or sentiment. Further, the existing arrangements of the excise administration leave much to be desired. The 'minimum guarantee' in Bombay, the general auctioning of licenses to keep stills in out-still areas and even the central distillery system, with its varying arrangements for the manufacture of spirits—these are some of the features of the existing administration which require close and careful investigation. The whole subject calls for a fresh examination and it behoves Government to institute a searching inquiry. Education would be an effective remedy, but its operation is bound to be slow. I think legislative effect should be given to the direction as to local option.

My Lord, among the important topics of a general character, on which this year's Financial Statement offer some interesting observations, is the subject of India's balance of trade. The Hon'ble Member states at the outset that he has been much surprised to learn that 'there are considerable misapprehensions abroad on the

question of the balance of trade.' And, after examining certain figures for the three years from 1900-01 to 1902-03, the Hon'ble Member records his conclusion that the figures 'entirely dispose of the erroneous assumption that India is paying for more than she receives under the three heads of imported goods, imported investment securities, and payment abroad of budgeted Government sterling charges.' His argument is briefly this: during the three years under consideration, the excess value of exports over imports was £47·58 millions sterling. From this total must be deducted £1·45 millions being the value of rupee paper transferred to India during the period; while we must add to it a sum of £2·14 millions, representing the value of stores, arms, munitions and animals, supplied to the Home Government in connection with their requirements in South Africa and China. This gives us a net excess of exports in three years of £48·27 millions. Now, says the Hon'ble Member, this is practically the amount of the Secretary of State's drawings during the three years. And thus the excess of the country's exports over its imports is no more than the amount of the Home charges, which means that the Home charges really represent *all* that India pays annually over and above what she has to pay in return for her imports. My Lord, I confess I was startled to read this paragraph, and I asked myself: 'If the Hon'ble Member is right, what becomes of the profits which English merchants annually earn in India; what becomes of the freight the English Companies earn; what becomes of the savings of English lawyers, English doctors, English civil and military servants of the Crown? Does nothing really go out of India for all these?' And then I examined the Hon'ble Member's figures somewhat closely, when I found that he had left out of account two

most important items. The excess of exports over imports that he gives is the excess of all our exports over all our imports, including merchandise and treasure and stores, both Government and private. The imports thus include (1) the capital raised annually in England and spent on Indian railways and irrigation works, for which there is no corresponding export, and (2) the Government stores for which provision is made in the Secretary of State's disbursements for current purposes; these stores are worth about $1\frac{1}{2}$ to 2 crores a year, and they represent a value received by India for a corresponding portion of the Home charges, and they are thus different from the rest of the Home charges. Our real imports, therefore, i.e., those which we receive in exchange for our exports, are less than our nominal or total imports by the amount of the capital which is raised by the State and by Companies in England every year and spent on Indian railways and irrigation works. And, secondly, the net loss to the country under Home charges is represented, not by the whole of the Secretary of State's drawings, but by a sum which is equal to those drawings *minus* the value of the stores for which provision is made in his current disbursements. The amount raised in England during the three years under consideration and spent on public work in India was, I believe, about 16 millions sterling. This figure must, therefore, be deducted from our total imports to get at the imports which we received in exchange for our exports. We thus have during the three years an excess of 64 millions and not 48 millions of our exports over our real imports. As against this we have to set, not the whole of the Secretary of State's budgeted drawings, which have been stated to be 49 millions sterling, but these drawings *minus* the value of the stores

included in them, which was over three millions. We thus see that while the Secretary of State's drawings for his own purposes would have been satisfied by an excess of about 46 millions sterling of our exports over imports, the actual excess was about 64 millions sterling or about 18 millions more in three years. I think, therefore, that we may well assume that this sum of 18 millions represents the amount which India paid more than she received during the three years under the three heads of 'imported goods, imported investment securities, and payment abroad of budgeted Government sterling charges.' Moreover, this figure does not take into account the capital imported into India by private individuals or Companies for minor industrial undertakings.

My Lord, a most striking feature of this year's budget is the great increase that has taken place in the military expenditure of the country. The Finance Member himself is almost outspoken in the expression of his regret on the subject. The Budget Estimate for 1904-05 exceeds all previous record—the charge budgeted for coming to no less than 28·6 crores. The following figures show how steady and continuous has been the rise in our military expenditure during the last twenty years —

Year.	Military expenditure in crores of rupees.		
1884-85	16·06
1887-88	20·41
1890-91	26·69
1894-95	24·09
1902-03	25·91
1903-04 (Revised)	26·78
1904-05 (Budget)	28·66

or an increase of nearly 70 per cent. in twenty years as against an increase of about 44 per cent.—from 51 crores to 73 crores—in the receipts under the principal heads of

revenue. The Hon'ble Sir Edmond Elles gives in his statement what he will forgive me for calling a curious table, compiled to show that, whatever may be the actual figure of military expenditure, it is not only not rising relatively to the total revenue of the country, but that as a matter of fact there is a notable decline in the percentage of revenue spent on the army. The Hon'ble Member takes two periods of four years each, one from 1896-97 to 1899-1900 and the other from 1900-01 to 1903-04 and he seeks to prove that, while during the former period the net military expenditure of the country was 24·7 per cent. of the total revenue, during the latter period it has been only 21 per cent. The Hon'ble Member's method of instituting comparisons is, however, open to most serious objection. His first period is a period of famines and frontier wars, so that while the revenue during that time is not at its normal level, the military expenditure is at an abnormally high level, and thus he gets a higher percentage for purposes of his comparison. The second period, on the other hand, is a period during which the revenue is above the normal owing to specially good seasons, and the military expenditure is below the normal owing to a part of the troops being engaged in South Africa and China. Now this is bad enough, but worse than this is the fact that while he takes on the one hand only net military expenditure, he takes on the other the gross revenue of the country. Now, as we all know, the figures of gross revenue are altogether useless for purposes of a fair comparison; for they include large receipts under commercial services—i.e., railways, irrigation works, post and telegraph—which are balanced by corresponding entries on the expenditure side and which, therefore, only go to swell the total figures of gross

revenue without making any real addition to the resources available for administrative purposes. Moreover, railway receipts have been of late years going up by leaps and bounds. Of course the entries under railways on the other side have also been correspondingly increasing, but if you take into consideration only the figures of gross revenue you get an altogether erroneous idea of the growth of the real revenue of the country. For purposes of a useful comparison, therefore, the only proper method is to take the figures either of net revenue or of the total receipts under what are known as the principal heads of revenue. Taking the latter set of figures, which are more favourable to the Hon. ble Member's point of view than the former, we find that the net military expenditure is about 36 per cent. of the revenue under the principal heads, and that this percentage has practically continued steady at that figure except during the years when the Indian exchequer secured some relief by lending a portion of the Indian troops for service in South Africa and China. The question of these percentages however is, comparatively speaking, of less importance than the question whether there is ever to be a limit to the growth of these military burdens. My Lord, the question of military expenditure is really one of policy, and in the shaping of that policy the people of this country have no voice. But may we not ask, as I asked in my budget speech of last year, that Government should adopt a policy of a little more trust in this matter! For, while things continue as they are—with our Army maintained on a war-footing in times of peace, with no national militia of any kind and the people of the country altogether shut out from the privilege of citizen soldiery—there is no prospect that the heavy sacrifices demanded at present of the country will ever

grow less heavy. My Lord, His Excellency the Commander-in-Chief addressed the other day a powerful appeal to Englishmen in India to come forward and enrol themselves as volunteers from a sense of public duty. May not the Government consider the desirability of permitting—aye, inviting—carefully selected classes from among the children of the soil to share in the responsibilities of national defence? Both sentimental and financial considerations demand the adoption of a policy of this kind; and unless this is done, the growing military expenditure of the country will in course of time absorb all available resources and cast its blighting shadow over the whole field of Indian administration.

My Lord, these were some of the observations that suggested themselves to me when I read the Financial Statement which my Hon'ble friend has presented to the Council this year. I have said nothing to-day about some of the more important branches of civil expenditure, because we seem to be on the eve of great changes which will affect and practically reconstruct the entire basis of the civil expenditure of the country. An administration, in many respects the most strenuous, as it undoubtedly has been the most eventful, of any that the country has known for many years past has formulated these changes after a prolonged inquiry, and the country is waiting to see how they work in practice when they are introduced. The advance that has been made this year in the matter of Provincial finance, the undertaking of a comprehensive programme of irrigation works that is expected as a result of the Irrigation Commission's labours, an improved Police Service, increased expenditure on education in all its branches, the institution of State scholarships for industrial education abroad, the establishment of an

Agricultural College at Pusa, the encouragement of Co-operative Credit Societies—these and other measures will require a large outlay of public money, if they are not to disappoint the expectations that have been formed of them in the public mind. It will be some time before we are in a position to watch the actual operation of these measures and to see how far the increased expenditure necessitated by them has been justified. Meanwhile my own frame of mind in regard to them is, I confess, one of great hope. I feel that, if they are carried out in the spirit in which they ought to be carried out, they will prove a source of no small benefit to the country. If this hope is realised, the increase in public expenditure, which these measures must involve, will not only not be grudged, but will be regarded with feelings of sincere satisfaction and gratitude all over the country.

BUDGET SPEECH, 1905.

[At a meeting of the Imperial Legislative Council, held on Wednesday the 29th March 1905, His Excellency Lord Curzon presiding, the Hon'ble Mr. G. K. Gokhale made the following speech on the Financial Statement for 1905-06 presented by the Hon. Mr. E. N. Baker:—]

My Lord, it is with sincere pleasure that I offer my warm congratulations to the Hon'ble Mr. Baker on the Financial Statement, which he has laid before the Council. The Statement is remarkable alike for its grasp of principle and its mastery of detail, and for lucidity of exposition it will take rank with the best statements that have ever been presented to this Council. Indian finance is at present passing through a new phase, and judging from the statement before us, we may well anticipate the Hon'ble Member's tenure of office as Finance Minister will be an eventful one. My Lord, there is but one feeling throughout the country—and it is a feeling of deep and unalloyed satisfaction—as to the manner in which the Government of India have decided to apply about 3½ crores of the excess of their revenue over expenditure to measures of remission of taxation, administrative improvement, and the general well-being of the people. I heartily welcome the further reduction of the salt duty by eight annas a maund. The duty now stands, as the Hon'ble Member rightly claims, at a lower rate than it has ever done during the last quarter of a century. In urging this measure of relief last year, I had ventured to observe:—

The salt duty was reduced by eight annas last year, and the measure of relief was received with deep gratitude throughout the country. The reduction might, however, be carried still further without any inconvenience. The salt-duty question in India is essentially a poor man's question; for it is the poorer many—and

not the richer few—who eat more salt when it is cheap, and less when it is dear. The soundest policy in the matter—even financially—would, therefore, seem to be to raise an expanding revenue on an expanding consumption under a diminishing scale of duties.

The only reply, which was then vouchsafed to my appeal by our late Finance Minister, Sir Edward Law, was the remark that I was 'one of the multitude who stand at the door of the Treasury and always cry "give, give!"' I rejoice, therefore, to find that in less than a year the Government have seen their way to effect this reduction, and I am confident that a rapid increase in consumption will follow, wiping out, before long, the loss that has been caused to the Exchequer and demonstrating at the same time the wisdom of the course adopted by Government. Two years ago, when the duty was lowered from Rs. 2-8 to Rs. 2 a maund, fears were expressed in certain quarters that the benefit of the reduction might not, after all, reach the poorer classes, being intercepted on the way by small traders. Many of us thought at the time that the fears were quite groundless, and I am glad to see that they have been most effectively disposed of by the remarkable increase in consumption that has since taken place. That there is still a very large margin for increased consumption is evidenced by the fact that in Burma, where the duty is only one rupee a maund, the average consumption of salt is 17lbs. per head, as against about 10lbs. in India proper, where the duty has been Rs. 2 a maund for the last two years and Rs. 2-8 before that. Even with the present reduction, the impost amounts to about 1,600 per cent. of the cost price, as it takes only about an anna and a half to manufacture a maund of salt, and it is clear that this is a very heavy tax on a prime necessary of life, which, as Professor Fawcett once said, should really be 'as free as the air we breathe and the water we drink.' And I earnestly trust

that the Government will take another opportunity to carry this relief still further, especially as a low salt duty means a valuable financial reserve at the disposal of Government, and there is now no doubt that the relief accorded directly benefits the poorest classes of the community. The abolition of famine cesses will be hailed with satisfaction by the provinces concerned, and it redresses one of the anomalies of the Famine Insurance Grant. The raising of the weight which the Post Office carries for half an anna from one-half to three-fourths of a tola will be widely appreciated, and the definite declaration of policy, with which this concession is accompanied, viz, that it is not the desire of Government to treat the Post Office as a source of revenue, practically ensures that all excess of receipts over expenditure will in future be devoted to the further improvement or cheapening of postal facilities. Now that the letter-weight carried for half an anna is exactly half of what is carried for one anna, I hope a half-anna stamp will be made the unit for weights exceeding $1\frac{1}{2}$ tolas instead of the one-anna stamp. The allotment of a sum of 50 lakhs to Police reform to improve and strengthen the lower grades of the service is a welcome measure of far-reaching importance and is unaffected by whatever differences of opinion there might exist about the recruitment of the higher grades. The addition of a rupee to a constable's salary may not make in individual cases any difference as regards his honesty or efficiency, but taken in the mass, the increment is bound to be reflected in an improved standard of work, and in any case the measure is a long-deferred beginning of an absolutely necessary reform. The grant of 35 lakhs to Provincial Governments for additional expenditure on Primary Education is also an important step in the right direction, the

field of mass education being one in which what has been already done is but little, as has been admitted by the Government of India in their Resolution of last year on the subject, compared with what remains to be done. The grant of 20 lakhs for agricultural research, experiment and instruction, and the announcement that the ultimate aim of Government in this matter is 'the establishment of an experimental farm in each large tract of country, of which the agricultural conditions are approximately homogeneous, to be supplemented by numerous demonstration farms, the creation of an agricultural college teaching up to a three years' course in each of the larger provinces and the provision of an expert staff in connection with these colleges for purposes of research as well as education,' indicate that the Government at last have made up their mind to recognise in a practical manner the supreme importance of scientific agriculture in this land. Twenty lakhs a year for such a purpose for the whole of India is of course totally inadequate, but it is a good beginning, and the Government have undertaken to find steadily increasing funds till the whole programme is properly carried out. The last measure, to which a part of the surplus is proposed to be devoted, is a grant-in-aid of the funds of District and Local Boards throughout India, amounting in all to about 56½ lakhs a year and equal approximately to one-fourth of the income of these Boards. This, to my mind, is one of the most interesting features of this year's Budget, and it is a feature on which I offer my heartiest congratulations to the Hon'ble Member. It means a frank acknowledgment of the claim of Local Bodies to participate in the financial prosperity of the Government of India and a recognition of the fact that without the aid of Government the

resources of these bodies are utterly unequal to the proper discharge of the various duties laid on them. The last National Congress, which met in Bombay, had urged such assistance to Municipal and Local Boards, and I rejoice to find that Government have responded, at least partially, to the appeal. Successive visitations of famine and plague have in many places so far crippled the finances of these Boards that they have had the greatest difficulty in averting a complete breakdown, and it was a serious reproach to existing arrangements that, while there was such a plethora of money in the Government of India's Treasury, and even Provincial Governments were not able to exhaust all the grants made to them, these Local Bodies, whose work concerns the health and comfort of the public far more intimately than that of either the Supreme or the Provincial Governments, should continue year after year in a state almost verging on bankruptcy and should be unable to discharge satisfactorily even their most elementary duties! Government have now come forward to assist in a liberal spirit the District and Local Boards and the assistance will evoke the sincere gratitude of these Boards. Municipal Bodies have for the present been left out in the cold, but the principle of admitting Local Bodies to a share in the financial prosperity of Government having once been accepted, I venture to think that assistance, similar to what has now been offered to District and Local Boards, cannot reasonably be withheld from Municipalities, whose difficulties are not less serious and whose duties are even more onerous than those of the Boards.

My Lord, the revised estimates for the current year shew a surplus of $5\frac{1}{4}$ crores. This surplus has been obtained after making a special grant of one crore to the

Governments of Bombay and the Punjab. So the real surplus for 1904-05 must be set down at $6\frac{1}{2}$ crores. This is the seventh successive year, in which such a large surplus has been realised by the Government of India, and though advantage has been taken of it to remit taxation to the extent of about two crores of rupees and to apply about $1\frac{1}{2}$ crores to most excellent objects, the whole financial position is still so extraordinary that it calls for a brief review. The surpluses realised by the Government of India during the last seven years amount in all to about $32\frac{1}{2}$ crores of rupees, and they don't include the special grants made to the various Provincial Governments and Administrations from time to time. In addition to this, a sum of about $12\frac{1}{2}$ crores has been earned by the Government of India during the last five years, as profit on the coinage of rupees, owing to the difference between the bullion value of silver and the token value of the rupee, and it has been set apart to form a Gold Reserve Fund. This gives us a clear excess of 42 crores of revenue over expenditure during the last seven years. Moreover, during this period, extraordinary charges, amounting to about 16 crores, for famine relief and for military purposes, have been met out of revenue. Further, about 2 crores have been spent out of revenue on Railways and Irrigation Works under Famine Insurance, under which head also a sum of $3\frac{1}{4}$ crores has been devoted to the reduction or avoidance of debt. Even if we leave out of account the extraordinary charges met out of revenue and the sum spent on Railways and Irrigation under Famine Insurance, as money already spent, we still have a total of about 49 crores of rupees to represent the excess amount taken by Government from the people in seven years over and above the requirements of the

administration. Twelve and a half crores out of this has been set aside, as has been already mentioned, to form a Gold Reserve Fund, and the remaining, about $36\frac{1}{2}$ crores, has been devoted to the repayment or avoidance of debt, as may be seen from the fact that during this period Government have discharged £5,000,000 net of temporary debt, and have spent $48\frac{1}{2}$ millions on Railways and Irrigation Works, though they have borrowed only $21\frac{1}{2}$ millions, the difference being found from Cash Balances, of which the surpluses form a part. Moreover, as an inevitable result of such plethora of money at the disposal of Government, public expenditure has increased in all directions—and notably under Army Services on an unprecedented scale. The following figures for the last four years show at a glance how rapid has been the growth of public burdens and what is the position that has now been reached. In these figures, I have taken the revenue under Post, Telegraphs, Railways and Irrigation net. This, I submit, is the only way of presenting a correct idea of our revenue and expenditure, as the receipts under these heads are for services rendered and are balanced on the other side by corresponding expenses which virtually absorb the receipts. Unless, therefore, we take these figures net, we get an altogether erroneous idea of our real revenue and expenditure. I have also taken the revenue under Mint net because, for the present, at all events, the profit earned has to go to the Gold Reserve Fund and is therefore not available for general purposes.

Revenue and Expenditure for four years 1901-02—1904-05.

	(In millions sterling.)			
	1901-02.	1902-03.	1903-04.	1904-05 (Revised).
Revenue ...	51.91	52.27	55.27	57.59
Expenditure ...	46.96*	49.21	52.28	54.11
Surplus	4.95	3.06	2.99	3.48

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Coming to particular heads of expenditure, we find that the charge under Interest has actually gone down owing to a reduction of the ordinary debt. And the expenditure under Miscellaneous Civil Charges, as also under Famine Relief and Insurance, has remained virtually stationary. Under the remaining heads, there has been a large and steady increase, as may be seen from the following figures :—

(In millions sterling.)					
	1901-02.	1902-03.	1903-04.	1904-05.	Increase.
	(Revised.)				
Collection charges under Principal Heads of					
Revenue ...	6·19	6·35	7·16	7·17	nearly 1 million.
Salaries and expenses of Civil Departments ...					
	11·15	11·69	11·98	12·35	1·2 „
Civil Works ...	3·67	4·15	4·60	4·82	1·15 „
Army Services, including Military Works & Special Defence Works.					
	10·73	18·44	18·93	21·45	4·72 „

I have taken 1901-02 as starting year for the comparison, because 1900-01 was a famine year, and before that, Government could not have felt sure of a large annual surplus. It will be seen that our expenditure has grown in four years by more than 7 millions sterling or about $10\frac{3}{4}$ crores, and of this the Army Services have absorbed quite two-thirds, i.e., $4\frac{3}{4}$ millions or over 7 crores. Again, while the revenue under the principal heads has risen during this period from £46·60 millions to £50·38 millions or slightly over 8 per cent., the charges of collecting it have grown from £6·19 millions to £7·17 millions or by about 16 per cent.

Thus after allowing the expenditure to increase in all directions on an unprecedented scale, after making large special grants to Provincial Governments from time

to time, after spending nearly 16 crores out of current revenues for non-recurring charges, and after laying by about 12½ crores for purposes of the Gold Reserve Fund, the Government have still been able to devote a sum of about 36½ crores in seven years, or a little over 5 crores a year on an average, to the reduction or avoidance of debt! I submit, my Lord, that such a system of finance is unsound in theory and indefensible in practice, for it involves grievous injustice to the present generation. I can understand the Government always insisting on a moderate working surplus in framing their Budget Estimates and providing for the year's recurring charges out of the year's revenues. This was what they have uniformly done—even during the worst days of the exchange difficulty. But having done that, I venture to think they have no right to maintain taxation at a higher level than is necessary or to devote the resulting surpluses to the reduction of debt, as they have been doing. In all countries, it is an accepted canon of finance that the weight of public burdens should be kept as light as possible, and that the scheme of taxation should be so fixed and adjusted as to meet, but no more than meet, public requirements under normal conditions. If this is so in rich European countries, it should be much more so in India, where the revenue is raised from a poor, helpless population, and the larger part is contributed by a broken and exhausted peasantry, and where, owing to the special circumstances of the case, the character of public expenditure is such that a great portion of it has to be spent on objects unconnected or but remotely connected with the moral and material advancement of the people. Moreover, the ordinary debt of India—as distinct from the public works debt, which is fully covered by valuable assets—is

not large, and there is no justification for being in such a hurry to reduce it. The utmost that the Government might do in the matter is to provide for a small sinking fund, say, about a million sterling a year; but beyond this it is indefensible to go especially as, in the absence of a reduction of taxation, there are so many ways all intimately connected with the well-being of the people in which the surplus revenue could be spent.

This brings me to the scheme of Army re-organisation and the provision of 3 crores 66 lakhs that has been made for it in the next year's Budget. The scheme is one of vast magnitude, and it is claimed that it will be of great benefit. No lay criticism of its technical aspects can, of course, be of any value, though even laymen cannot help noting that expert opinion is not quite unanimous in regard to it. Thus we find Colonel St. J. M. Fancourt, C.B., writing to the *Madras Mail* to urge that enlarged camps of exercise will serve the purpose as well as the proposed concentration camps and will be much less costly and will offer fewer administrative difficulties; that the training under the climatic conditions of the country, especially the summer heat, cannot be carried on the whole year round, which reduces the value of a permanent location of troops in large concentration camps, and that for the annual seasons of drill, troops can be moved and massed wherever desirable, the expanding Railway system affording increasing facilities for such movements. Laymen also cannot help thinking that in the very nature of things, there can be no finality in such plans of distribution of armed forces. The period is a period of mighty changes and the world's affairs are passing through a new phase. The rise of Japan as one of the first Powers in the world is a new factor in

international politics and of vast significance. New and unexpected combinations may arise, and the danger-zones and danger-points may not remain as they at present are—for ever and ever. However, the towering personality of His Excellency the Commander-in-Chief must silence all objections to the scheme of which he is the author, and the required money—15 crores of rupees—has to be found to carry it out. The Government have announced their intention to meet the whole charge from current revenues, and they have already provided in the next year's Budget a sum of 3 crores 66 lakhs for the purpose as a first instalment, committing themselves at the same time to devote similarly 3 crores every year till the whole programme is completed. My Lord, I beg leave to protest most earnestly against this decision of the Government of India. The charge is heavy and non-recurrent and, on the analogy of English and Continental practice in similar cases, ought to be met out of loan funds. It is most unjust to the tax-payers to provide for it out of current revenues by yearly allotments and thus keep up the high level of taxation for an indefinite period. In other countries such charges are, as a rule, met out of borrowed money. In England, just at this moment, there are the Naval and Military Works Bills before the House of Commons, under which it is proposed to carry out these works out of loans. And in defending such action, the Chancellor of the Exchequer pointed out the other day—on the 1st instant—that, 'if the objects for which those measures provided were paid out of the estimates, there would be a disturbance of our system of taxation.' My Lord, it is true that the people of India have no constitutional power, as the people in England have to control or in other ways influence the administration of

their finances by Government. But for that very reason, a solemn responsibility rests on the Government here not to ignore considerations that are accepted as conclusive in England. The present decision of Government, so unjust to the tax-payers, leaves room for legitimate complaint, especially when it is remembered that we have devoted no less a sum than $36\frac{1}{2}$ crores of rupees out of current revenues towards the reductions of debt during the last seven years, and that an addition of fifteen crores will still leave it 21 crores lower than it was in 1898.

My Lord, I have already referred briefly to the alarming growth that has taken place in the military expenditure of the country, in recent years. The military problem is the most dominant factor in the general position of the country's finances, overshadowing every other. National safety is, of course, the first and most paramount consideration in a country's administration. But no people can bear indefinite and ever-increasing burdens—practically without limit, and absorbing the greater part of every financial improvement—even in the name of such safety. I have on previous occasions spoken more than once on this subject at some length in this Council, and I do not, therefore, propose to say much to-day. Last year the Hon'ble Sir Edmond Elles, in his reply to some of my observations, told the Council that I had criticised measures about which my knowledge was infinitesimal. The remark was somewhat superfluous, seeing that in my speech I had taken care not to say one word about any technical matters. The Hon'ble Member then went on to cite the instance of Japan and ask what would have been her fate, if her future had been guided by statesmen holding the views of my Hon'ble friend Mr. Sri Ram and myself. I do not think the reference to Japan was quite

a tactful thing. For Japan's destinies are guided by her own sons, whose one thought and aspiration is the greater glory of their country, and who further by every means in their power the moral and material advancement of their people. Is the Hon'ble Member prepared to adopt Japan as a model for all branches of the country's administration? If so, let him induce his colleagues in the Government to treat the people of India as the Japanese Government treats the people of Japan in matters of education, of industrial development, of military and naval service, of appointment to high and responsible office, and I, on my part, humble as I am, undertake to see that no Indian publicist raises any objection to such military expenditure as the Hon'ble Member thinks it necessary to incur. My Lord, on technical aspects of military questions, the opinion of laymen is of course of but little value. But as the *Englishman* pointed out the other day :—

There is a stage when considerations of military defence emerge out of the plane which has always been tacitly reserved for professional soldiers. . . . The larger problems involving the expenditure of large sums of money and the dispositions of troops in relation to possible enemies are clearly not to be decided on the fiat of military men. These matters affect the State as a whole, and, as such, must be looked at from the civil as well as the military point of view.

Our military expenditure has nearly doubled itself during the last twenty years, having risen from 17·9 crores in 1884-85 to 32·6 crores in 1905-06. It now exceeds the entire land revenue of the country and no one can say where it will stop, or if it will stop anywhere at all. It is now said that India is the strategic frontier of the British Empire. If so, the defence of such frontiers is clearly an Imperial responsibility, and India ought to be relieved of part of her present military burdens. For the last twenty years, the fears of a Russian invasion have dominated the

situation and dictated the scale of our military expenditure. Russia now lies prostrate and bleeding—her prestige shattered beyond hope, and a standing menace to the peace of Asia gone. May we not now hope for a little respite in this piling up of ceaseless military burdens on our shoulders? The limits of military expenditure were thus laid down by Lord Mayo's Government in 1871 :—

We cannot, they wrote, think that it is right to compel the people of this country to contribute one farthing more to military expenditure than the safety and defence of the country absolutely demand.

The Army Commission of 1879⁴ thus defined the functions of the Indian Army :—

The purposes for which the Army of India must be maintained may be stated to be—(a) preventing and repelling attacks or threatened aggressions from foreign enemies beyond our border; (b) making successful armed disturbance or rebellion, whether in British India or in Feudatory States, impossible; and (c) watching and over-awing the armies of feudatory Native States.

This conception of India's position and responsibilities, however, is no longer thought to be sufficient. Thus last year the Hon'ble Sir Edmond Elles, after asking the question :

Are we to be content to hide ourselves behind our mountain barriers under the foolish impression that we should be safe, whilst the absorption of Asiatic kingdoms is steadily in progress? observed as follows :—

It is, I think, undoubted that the Indian Army in the future must be a main factor in the maintenance of the balance of power in Asia; it is impossible to regard it any longer as a local militia for purely local defence and maintenance of order.

And Your Lordship, referring to the same point, said :—

I spoke last year about the increasing range of our responsibilities in Asia; and a good deal has happened in the interim to point those remarks. My own view of India's position is this: She is like a fortress with the vast moat of the sea on two of her faces and with mountains for her walls on the remainder. But beyond those walls, which are sometimes of by no means insuperable height and admit of being easily penetrated, extends

glacis of varying breadth and dimensions. We do not want to occupy it, but we also cannot afford to see it occupied by our foes. We are quite content to let it remain in the hands of our allies and friends; but, if rival and unfriendly influences creep up to it and lodge themselves right under our walls, we are compelled to intervene because a danger would thereby grow up that might one day menace our security. This is the secret of the whole position in Arabia, Persia, Afghanistan, Tibet, and as far eastwards as Siam. . . . And the whole of our policy during the past five years has been directed towards maintaining our predominant influence and to preventing the expansion of hostile agencies on this area which I have described.

This new and Imperial definition of India's position, and responsibilities is bound to stagger the people of this country, for it means that India's resources are to be unhesitatingly used for engaging in a race with European Powers to absorb Asiatic Kingdoms. Now, apart from the ethics of such absorption, I submit that, if England's dominion in the East must be thus extended in all directions on the mere suspicion that a rival is creeping up towards the frontiers of India, the Imperial Government in England and not the poor people of India ought to find the money for the purpose. The maintenance of the balance of power in Asia is a matter of Imperial concern; and for the Government of India to accept that responsibility is to impose upon this country a military duty and a financial obligation to which she is utterly unequal and which, moreover, it is unjust to throw on her.

My Lord, I have complained above of the system of finance that has been maintained in this country for the last seven years. That complaint, however, must not be understood to apply to the present Financial Statement, which indeed has to a large extent broken from the old tradition and taken an important step forward in the right direction. With the single exception of the provision made out of current revenues for Army reorganisation, the budgetary dispositions appear to me to be both liberal and

statesmanlike. Further, speaking for Bombay, I gladly acknowledge the liberal character of the new Provincial Settlement. I rejoice also that the Hon'ble Member has put an end to the era of systematic under-estimating of revenue and over-estimating of expenditure. More than once had I complained of this practice in this Council as unfairly prejudicing the chances of the tax-payer in the matter of remission of taxation. Last year, for instance, I had said :—

In the twelve years of storm and stress (i.e., from 1885-1896) it was perhaps necessary for the Finance Minister to act on the safe, if somewhat over-cautious, plan of under-estimating the revenue and over-estimating the expenditure. But though the difficulties of the position have passed away, the tradition, once established, still holds its field.

And this only won on me a sharp remonstrance from Sir Edward Law. It was, therefore, with a certain amount of legitimate satisfaction that I found the Hon'ble Member virtually admitting the correctness of my contention and admitting it very nearly in my own words :

So long, as all growth of revenue and the fruits of all retrenchment were liable to be swallowed up by a fall in exchange, it was common prudence to frame the estimates in the most cautious manner, and to take no credit for developments of revenues until they were absolutely assured. When this factor was eliminated, the traditions of excessive caution remained and due allowance was not always made in the estimates for the normal expansion of the growing heads of revenue.

My Lord, the financial position of the Government now is one of exceptional strength. Taking the Budget Estimates for next year, we find that after providing 3 crores 66 lakhs for an extraordinary charge, which ought to be met out of borrowings, we still have a surplus of 1 crore 36 lakhs. This means an excess of 5 crores of revenue over expenditure. Then the profits from coinage have averaged about $2\frac{1}{2}$ crores a year during the last five years and they are bound to increase as trade expands. These profits will be available for general purposes in a

year or so, as the Gold Reserve Fund already stands at 8½ millions sterling, and as Your Lordship stated last year, when it reaches 10 millions sterling, it 'will be sufficient for our purpose and will give us a permanent guarantee for stability of exchange.' Then Railway finance has entered on a new phase. After causing a net loss year after year for half a century—from 1849—aggregating in all to sixty crores of rupees, our system of Railways has now commenced to bring in a profit to the State, and there is every reason to believe that this profit will steadily increase. The revenue under Excise and Customs is also showing a large and continuous increase. Leaving all growth of revenue under Railways, as also under Excise, Customs and other principal heads, to meet the growing requirements of public expenditure, we still have a margin of about 7½ crores a year to devote to purposes intimately connected with the moral and material well-being of the people. And if only military expenditure is prevented from absorbing everything, and a comprehensive and statesmanlike view taken of the duties of the State and of the exceptional opportunities which the present position of the finances affords to Government, a vast deal could be done to improve the condition of the people, and thereby also deepen, broaden and strengthen the true foundations of British rule in this land. There is, for instance, the separation of Judicial and Executive functions to be effected—a reform demanded by eminent Anglo-Indians as well as Indians, which Lord Dufferin described as a counsel of perfection and which, he said, could not then be carried out for want of funds. Well, the Government now have funds to carry out the reform many times over, and I respectfully submit it ought to be no longer delayed, as the sense of oppression and discontent to which it gives rise

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is infinitely more serious than any administrative convenience which may result from it. Then there is the extension of education in all its branches—a matter of the greatest importance to the country's progress. But it is not of these that I desire to speak to-day. The subject that I wish most earnestly to urge upon the attention of the Government is the condition of the agriculturist. My Lord, the Indian agricultural producer is terribly handicapped, and his position is getting harder every day. In the first place, nowhere is the burden of taxes on the land in relation to produce so heavy as in this country, as may be seen from the following figures taken from Mulhall's Dictionary.—

Country.	Percentage of taxes in relation to gross produce.			
United Kingdom	83
France	48
Germany	30
Austria Proper	49
Italy	70
Belgium	28
Holland	28

These taxes on land include stamp-duties and local rates and, in France, road-cesses. In India, leaving out of calculation Provincial rates and stamp-duties and confining ourselves to land-revenue only, what do we find? Taking the figures set forth in the Government Resolution of 1902, which cannot be suspected of being unduly unfavourable to Government, we find that, in *Madras*, the assessment is from 20 per cent., in the Godavari District, to 8 per cent. in Anantapur, of the gross produce, and in most districts it averages over 15 per cent. In *Bombay* the assessment in Gujarat is 20 per cent., and even in the dry and dreary Dekhan, considering the uncertainty of

the seasons, it is in no way lighter. In the *United Provinces of Agra and Oudh* it is one-seventh or one-eighth of the gross produce, i.e., from 12 to 14 per cent. Thus, while elsewhere the total burden on land is well below ten per cent., with us, taking the land-revenue alone, we see that the assessment over most areas is about 15 per cent. and in some portions as high as 20 per cent. of the gross produce—and this according to official estimates. Secondly, everywhere in India, and particularly in the temporarily-settled districts, the utter resourcelessness of the agricultural classes is the most distressing fact of the situation. The cultivator has no capital and has but little credit and is simply unable to make proper use of Nature's wealth that lies at his door, with the result that his cultivation is of the rudest and most exhausting type. The yield of the soil has been steadily diminishing, except in irrigated tracts, being simply 8 to 9 bushels an acre, about the lowest yield in the world. Thirdly, the currency legislation of Government has hit the raiyat very hard, depreciating at once the value of his small savings in silver and increasing steadily, as prices are adjusting themselves to the new rupee, the burden of his assessment and his debts. Fourthly, a succession of bad seasons during the last fifteen years has borne him down with crushing pressure, the MacDonnell Commission observing that the past decade in most parts of India has been 'a decade of misfortune and distress.' Lastly, there is his terrible indebtedness, which is admitted by everybody, and which, there is reason to fear, is steadily on the increase. In such a situation the struggling raiyat toiling ceaselessly without heart and without hope needs every assistance and relief that can possibly be brought to him. But the operations of the Settlement Department are going on

apace, and everywhere a fresh revision means a fresh enhancement of the Government demand. Taking Madras, Bombay, Central Provinces, and the United Provinces of Agra and Oudh, together, we find that during the last ten years the land-revenue collections have risen from 14·4 crores in 1893-94 to 15·4 crores in 1903-04—an increase of fully one crore in ten years! And yet all these provinces have suffered during the period from a succession of calamitous seasons. My Lord, the fearful poverty and indebtedness of the agriculturist calls for a great and comprehensive scheme of ameliorative action, and no mere palliatives will be of much avail. A general reduction of the State demand for the temporarily-settled provinces as suggested by Mr. O'Connor, the grant of Permanent Settlement to those provinces together with a bold scheme for the composition of the raiyats' liabilities—nothing less than these measures will really save him from utter and hopeless ruin. The present financial position, with an assured excess of at least $7\frac{1}{2}$ crores of revenue over expenditure, gives Government a great opportunity, which, if allowed to slip now, may never present itself again. A reduction of 20 per cent. in the State demand in the provinces of Madras, Bombay, Central Provinces, and United Provinces will not cost more than 3 crores a year and the amount sacrificed will return to the State tenfold in the increased prosperity and contentment of the people. And a great scheme of composition of debts, similar to the one for buying out the landlords in the Irish Land Purchase Act of last year—when the Imperial Treasury undertook to advance a hundred millions sterling for the purpose—will mean the making of the raiyat again and is the only way in which the problem of agricultural indebtedness can be successfully grappled with.

Another subject which I wish earnestly to bring to the attention of Government is the condition of Municipal bodies in those parts of the count~~y~~ which have suffered severely from successive visitations of the plague. The finances of some of these bodies have been so completely disorganised that it is with difficulty that they are able to perform their most elementary duties. They still owe large sums to Government for plague loans, though the greater part of these loans have been already remitted by Government, and unless Government come forward again to help them out of their embarrassments, their available margin of income over expenditure must be devoted to the paying off of these ~~debts~~ ^{loans} for several years to come. I have the honour to ~~preside~~ ^{be} over one of the largest Municipalities in the Bombay Presidency--the Corporation of Poona--a body which has suffered as much as any other from this terrible scourge; and I know from personal experience how we are simply powerless at present to undertake any large works of improvement and what a struggle we have to make merely to keep things going. Our plague debt to-day is about 2½ lakhs of rupees--a sum nearly equal to our annual income--and it will take something like fifteen years to clear it off, which means that for fifteen years our small margin of income over expenditure will not be available to us for any other purpose. From a return very courteously supplied to me by the Finance Member, I find that the amount which the mofussil Municipalities in the Bombay Presidency still owe to Government is about 17 lakhs of rupees. This is over and above 22 lakhs which the Government have already remitted. Moreover, the Municipalities have met out of their own revenues a plague expenditure of about 16 lakhs. It is only fair to mention that for these plague loans the

Municipalities are only technically responsible. They represent the excess expenditure incurred by Government in the name of Municipal Bodies in the early years of the plague, when all kinds of drastic measures were adopted to stamp out the disease and Municipal money was spent by plague officers appointed by Government with the most reckless profusion. Now this sum of 17 lakhs, which the Municipalities still owe to Government, is really the merest nothing to the Government, with their crores and crores of surplus revenues; but to these Municipal Bodies it means all the available margin of income over expenditure. I therefore earnestly suggest that these plague loans should be written off by Government so as to leave Municipalities free to devote their slender resources to urgently needed undertakings. I am willing that in writing off these loans a condition should be imposed on the Municipalities that the amounts written off by Government should be devoted to works of permanent utility. I am sure, my Lord, if only the Finance Minister will adequately realise the extent of our difficulties—difficulties which contrast most painfully with the prosperous condition of the Government of India's Treasury—he will at once recognise the absolute necessity of coming to our relief. In Poona, for instance, we have the plague from four to six months every year. During these months we suffer a heavy loss in octroi and other revenue, and while our receipts thus suffer our expenditure increases because, in addition to our ordinary establishment, we have to maintain a special establishment to deal with the outbreak of plague. My Hon'ble friend Mr. Younghusband, who is Commissioner of the Division to which Poona belongs, and who has always been a most sincere friend of local bodies, will, I am confident, endorse every word of what I have said if he is

called upon to express an opinion on this subject. But writing off plague loans is not all the assistance that I ask for our Municipalities at the hands of the Government. I want the Government to go further—much further—and recognise the obligation to make substantial grants in aid of the funds of these bodies for works of permanent improvement, such as drainage and water-supply. My Lord, the persistence with which the plague has been lingering in our midst has drawn pointed attention to the questions of faulty drainage and defective water-supply, and it is recognised that real improvement in the health conditions of the people is impossible, unless these matters are taken seriously in hand. Now it is a Western plan which leaves such works to be executed by local bodies out of their own resources. And though it may work well in Western countries owing to the wealth of their towns, it is utterly unsuited to India, where the unaided resources of local bodies are altogether inadequate for such costly undertakings. Moreover, in view of the frightful mortality caused by the visitations of plague and the generally high death-rate of Indian towns, it is a clear obligation resting on Government, especially when they have funds necessary for the purpose, to do all that lies in their power to promote the interests of public health, and from this obligation they are not absolved simply because they have handed over certain duties and certain resources to certain Boards. Further, these Boards are not independent bodies. They are subject to a large measure of Government control and they include a considerable proportion of Government nominees. It is only fair therefore that the Government should assist them financially in carrying out projects which are beyond their unaided capacity to undertake. Government give a grant

to these Boards in aid of education, and there is no reason why public health should not be placed on the same footing as education. I would therefore suggest that about a million sterling a year should be devoted to assisting Municipal Bodies with grants for drainage and water-works. I understand that such grants are not unknown in individual instances in Madras and some other Provinces. I think, however, that the construction of such works will be greatly encouraged by the Government adopting an attitude of liberality as a general policy in this respect. The needs of public health require such assistance from Government and financially they are in a position to render it. The principle, moreover, has been accepted this year in the case of District Local Boards. I earnestly trust, therefore, that the suggestion which I have ventured to make will receive favourable consideration at the hands of Government.

My Lord, I have already detained the Council at considerable length, but there is one subject more about which I would like to say a word before I conclude. This time last year, Your Lordship dealt at some length with the question of the wider employment of Indians in the public service, and, shortly after that, a lengthy Resolution was issued by the Government of India on the same subject, reiterating the arguments and conclusions of Your Excellency's speech. Your Lordship, after analysing the situation, came to the conclusion that not only were the people of this country not justified in complaining of exclusion from high office, but that they were being treated with 'a liberality unexampled in the history of the world.' The Government Resolution of May 24th, 1904, expressed the same opinion in the following words:—

There has been a progressive increase in the employment of natives and a progressive decline in the employment of Europeans,

showing how honestly and faithfully the British Government has fulfilled its pledges and how untrue is the charge which is so often heard of a ban of exclusion against the natives of the country.

In spite of both the speech and the Resolution, however, the public mind remains unconvinced, and certain propositions in the Resolution have even created the unfortunate impression that it is no longer the intention of Government to adhere faithfully to the lines of policy laid down in the matter in the Parliamentary Statute of 1833 and the Proclamation of the Queen-Empress in 1858. The Statute and the Proclamation have respectively pledged the word of the British Parliament and the British Sovereign to the people of India that all offices in the country shall be equally open to all without distinction of race, colour, or creed. The Statute was further interpreted by the Court of Directors as laying down that there was to be no governing caste in India, and that whatever tests of fitness were prescribed, considerations of race or creed were not to be of the number. The Resolution of last year, however, lays down two principles, as governing the situation, which, in the form in which they are stated, are certainly inconsistent with the pledges given in the Statute of 1833 and the Proclamation of 1858. The Resolution says :—

The general principles which regulate the situation are two in number. The first is that the highest ranks of civil employment in India—those in the Imperial Civil Service, the members of which are entrusted with the responsible task of carrying on the general administration of the country—though open to such Indians as proceed to England and pass the requisite tests, must nevertheless, as a general rule, be held by Englishmen for the reason that they possess partly by heredity, partly by upbringing, and partly by education, knowledge of the principles of government, the habits of mind, and the vigour of character, which are essential for the task, and that the rule of India being a British rule and any other rule in the circumstances of the case being impossible, the tone and standard should be set by those who have created and are responsible for it. The second principle is that outside this *corps d'élite* the

Government shall, as far as possible, and as the improving standards of education and morals permit, employ the inhabitants of the country, both because its general policy is to restrict rather than to extend European agency and because it is desirable to enlist the best native intelligence and character in the service of the State. This principle is qualified only by the fact that, in certain departments, where scientific or technical knowledge is required or where there is a call for the exercise of particular responsibility or for the possession of a high standard of physical endurance, it is necessary to maintain a strong admixture and sometimes even a great preponderance of the European element.

The Government of India thus lay down :

(1) That race, so far from being no disqualification, shall constitute in the case of all but a very few a conclusive disqualification for the higher offices of the state ; (2) that this disqualification shall last as long as the British rule endures ; (3) that in regard to other offices held at present by Europeans, they are so held because Indians qualified by education and morals are not either available, or where they are available, they are unfit for the exercise of 'particular responsibility.'

Now, my Lord, the equal treatment promised in regard to public employment by the Parliamentary Statute and the Queen's Proclamation may be nothing better than a legal fiction in practice, but it is a fiction which we have cherished as embodying an ideal for the future and representing the higher purpose of British rule in this land, and we cannot afford to see it so explicitly repudiated by the Government. Nothing to my mind is calculated to affect more disastrously the attitude of educated Indians—and their number is bound steadily to grow—towards British rule than a belief that under the rule their exclusion from the highest offices of the State is intended to be perpetual. As regards the question of education and morals being involved in our exclusion from most of the offices in the special departments, is it really intended to be conveyed that among the thousands and thousands of educated Indians who are ready to seek employment under the State, even a few cannot be found possessing the necessary education and moral

character or qualified to exercise the required degree of responsibility? I am sure the question has only to be presented in this form to make the injustice of it clear to everybody. Why, my Lord, it is a matter of common knowledge that, in the case of the smaller appointments at all events, it is not the Indian but the European or Eurasian competitor, whose education and morals it would really be desirable sometimes carefully to investigate. However, I do not wish to pursue this argument any further on this occasion. My object to-day is to point out how inaccurate and misleading is the conclusion which the Government of India Resolution has recorded on this subject and which I have already quoted above. The Resolution claims (1) that the pledges given have on the whole been honestly and faithfully carried out, and (2) that there has been a progressive increase in the Indian element and a progressive decline in the European element in the service of the State. Before proceeding to show how unsupported by facts this twofold claim is, I must, in the first place, point out that in the statistical tables which accompany the Resolution the real issue has been obscured by the inclusion therein of posts as low as Rs. 75 a month. When we complain of our exclusion from high office, we do not refer to the lower grades of the Public Service—grades which carry salaries as low as Rs. 75 or 100 or even 200 rupees a month—though in some of the special departments, we are virtually shut out even from such petty appointments. When we make the complaint about exclusion, we refer to offices of trust and responsibility—say above Rs. 500 a month. I have compiled tables for the years 1897 and 1903 from the statistics published by the Government of India to show how we stand in regard to these appointments, and it will be seen from

that the twofold claim of the Government of India already referred to is wholly untenable. I do not propose to read out the tables. They will appear as an appendix* to my speech in the report of these proceedings. It will be seen from them that they effectively dispose of the contention that we have so far been treated with unexampled liberality. They also show that most of the new posts, created between 1897 and 1903, have gone to either Europeans or Eurasians, which element certainly shows no signs of declining, the Indian element even losing ground in some of the departments.

My Lord, this question of appointment to high office is to us something more than a mere question of careers. When all positions of power and of official trust and responsibility are the virtual monopoly of a class, those who are outside that class are constantly weighted down with a sense of their own inferior position, and the tallest of them have no option but to bend in order that the exigencies of the situation may be satisfied. Such a state of things, as a temporary arrangement, may be accepted as inevitable. As a permanent arrangement, it is impossible. This question thus is to us a question of national prestige and self respect, and we feel that our future growth is bound up with a proper solution of it. My Lord, Your Lordship said on one occasion that to you mind efficiency of administration was synonymous with the contentment of the people. There is no question, of course, of the supreme importance of a high degree of efficiency in a country's Government. There is also no doubt that in this respect the present Administration has been the most strenuous and the most successful of any that the country has had for many years. But may I

* *Vide Appendix C.*

venture respectfully to point out that Your Lordship's proposition leaves out of account the special circumstances of India, that efficiency, though an object of paramount importance with us as elsewhere, is not the sole purpose of British rule in this land, and that for the contentment of the people to be real and enduring, something more is indispensable than mere efficiency, however high it may be? A succession of great statesmen, who in their day represented the highest thought and feeling of England, have declared that in their opinion, England's greatest work in India is to associate the people of this country, slowly it may be, but steadily, with the work of their own Government. To the extent to which this work is accomplished, will England's claim to our gratitude and attachment be real. If, on the other hand, this purpose is ever lost sight of or repudiated, much good work, which has been already done, will be destroyed, and a position created, which must fill all true well-wishers of both England and India with a feeling of deep anxiety.

BUDGET SPEECH, 1906.

[At a meeting of the Imperial Legislative Council, held on Wednesday the 28th March 1906, His Excellency Lord Minto presiding, the Hon'ble Mr. G. K. Gokhale made the following speech on the Financial Statement for 1906-07 presented by the Hon'ble Mr. E. N. Baker :—]

My Lord, for the second time, the Hon'ble Mr. Baker has laid before the Council a budget, which judged by the limits within which he was free to move, is an interesting and satisfactory statement, and which for lucidity of exposition will take high rank among the Financial Statements of the Government of India. I am particularly pleased to read what the Hon'ble Member writes about the effect of the recent reductions of salt duty on the consumption of that article. Time was, not so long ago, when it was the fashion, both in this Council and outside, to regard the burden imposed on the masses by a high salt duty as after all only a light one, and to deny that its rate could seriously affect consumption. If ever the Government of India finds itself driven to enhance the duty again, I hope the Finance Member of the future will remember the eloquent testimony of my Hon'ble friend on the results of recent reductions, and no one will again venture to contest the proposition that, in dealing with a prime necessary of life such as salt, the only right policy is to raise an expanding revenue on an expanding consumption under a diminishing scale of taxation. Even at present, the level of the duty—about 1,600 per cent. of the cost price—is much too high, and I earnestly trust that the Hon'ble Member will have, as I have no doubt he will be glad to have, another opportunity during his tenure of office as Finance Minister to effect a further reduction,

thereby making the duty throughout India at least uniform with what it is in Burma, namely, Re. 1 a maund. The consumption in India, which was under 10 lb. per head before these reductions, has now risen to about 11 lbs., but it is still far below the level of Burma, where it is about 17 lbs. per head. My Lord, the abolition of certain cesses on land and the discontinuance of certain appropriations from the funds of District and Local Boards for Provincial purposes will be greatly appreciated in the Provinces concerned, and I regard with sincere satisfaction the policy which underlies these measures. My only regret is that Bombay does not participate in the benefit of the relief accorded, and, if it is not yet too late, I should like to suggest one or two directions in which the Hon'ble Member could usefully come to our assistance on the same principle on which he has given the present relief to the other provinces. One is as regards the loss which our Local Boards have to bear as a result of the suspensions and remissions of land-revenue granted by Government. The principal part of the income of these Boards is derived from the one-anna cess on land; so when the Government, owing to the prevalence of famine, suspends or remits a part of the land-revenue, the one-anna cess that is paid with such revenue is also automatically suspended or remitted. The Government anticipates that the amount suspended or remitted this year owing to the present famine will be about 50 lakhs of rupees. This means that the Local Boards will lose a little above 3 lakhs of their revenue during the year. The proceeds of the one anna cess for the whole Presidency are under 30 lakhs, and to lose 3 lakhs out of 30 lakhs is a serious matter. Moreover, the loss is not spread over the whole Presidency, but has to be borne only by the districts affected, which means that

in those districts the Boards will not have enough money even for their barest wants. I suggest, therefore, that the grant this year to the Boards from the Provincial revenues should be increased by 3 lakhs, or by whatever may be the amount of the one-anna cess suspended or remitted with the land-revenue, the Provincial Government receiving, if necessary, compensation from the Government of India for the purpose. I understand that this is the practice that is followed in the Punjab, where, as a result, the Boards receive their full amount intact, whatever suspensions or remissions the Provincial Government may grant to the agriculturists; and I only ask that our Boards may be treated with the same consideration. Another direction in which the Hon'ble Member could come to the rescue of these Boards is by relieving them of all responsibility for famine relief, which the Famine Code imposes upon them. Under the Code, the duty of relieving famine distress is first cast on the resources of the Local Boards and then on those of the Provincial and Supreme Governments. Now the means at the disposal of the Boards, even for the objects for which they have been brought into existence, *viz.*, education, sanitation and medical relief, and roads, are woefully inadequate, and to throw on them in addition so heavy and unjustifiable a burden as famine relief is to take away from them practically all power of doing useful work. For the last ten years and more, we have had on our side an almost unbroken succession of unfavourable seasons, with no less than four famines, and the embarrassments of local bodies have been further aggravated by plague and the cost of plague measures; as a result, over the greater part of the Presidency, our Boards have been reduced to a position not far removed from bankruptcy. The relief I ask for,

though small, will therefore not fail to prove useful in their present circumstances, and I earnestly trust that the Hon'ble Member, who has already given abundant evidence of his sympathy with Local Bodies in their struggles, will realise the justice and necessity of granting it

Before I proceed to deal with the larger questions on which I wish to offer a few observations to-day, I would like to make two suggestions, and address one inquiry to the Hon'ble Member. My first suggestion is that in the general statements of revenue and expenditure, given in Appendix I, the figures under Railways and Irrigation (productive works) should be given net. In the Budget for the coming year, the receipts under these heads have been estimated at about 29½ millions and the charges at about 27 millions. The net receipts to the State, therefore, under the two heads amount to only about 2½ millions, and I submit that it would give us a much more correct idea of the true revenue and expenditure of the country, if only this sum of 2½ millions were entered on the revenue side in the general statements, and a separate statement appended showing the gross receipts and charges under the two heads, instead of two such huge figures as 29½ millions and 27 millions being entered on the two sides of the account. The outlay on Railways and Irrigation is on a commercial basis, out of borrowed capital, and the receipts are bound to go up as the capital outlay increases. As a matter of fact, they have been going up of late years owing to increased capital expenditure and other causes by leaps and bounds, having nearly doubled themselves in ten years, standing to-day at 29½ millions against 15½ millions in 1896-97; but they make no real addition to the revenue of the country, except by that portion of them which represents the net profit earned by

the State. In Japan, where they do things more scientifically than we, the course that is adopted as regards State Railways is the one I have suggested, and only the profits on the undertakings appear on the revenue side in the Financial Statement. Our present practice has been responsible for many curious misapprehensions of the financial position, and it has misled even those who should know better. Thus two years ago, the Military Member of the Government of India—Sir Edmond Elles—advanced in this Council the obviously untenable proposition that, though the military expenditure of the country had in recent years ^{been} growing, its growth, proportionately speaking, was less ^{than} that of our revenue; and he proceeded gravely to establish his contention by treating these rapidly increasing gross receipts under Railways and Irrigation as part of the revenue at the disposal of the State. And when I drew his attention to this error, he simply would not budge an inch, and contented himself merely with the remark that he did not know why he should not take the figures as he found them! My second suggestion is that the income and expenditure of Local Boards, included under the head of Provincial Rates, should be separated from the accounts of the Government of India. It is a small matter—only about 2 millions a year—but it gives rise to much confusion. Take, for instance, education. A reference to Statement B will give one ^{the} idea that the Government expenditure on education was nearly 2 millions sterling, when in reality it is only about a million; the rest is Local Boards' expenditure merely included in Government accounts. It is true that the heading, 'Provincial and Local,' is there to prevent a misconception: but that in itself is again misleading, as the term, Local

ordinarily includes Municipal also, whereas, in the accounts of the Government of India, the income and expenditure of only Local Boards, and not of Municipalities, are included. I trust the Hon'ble Member will be able to effect this simple but necessary reform. If the suggestions I have made are accepted, our real revenue will be seen to be about 58 millions instead of 87 millions, as the Statements in Appendix J. lead one to imagine. The inquiry I want to make is about the Gold Reserve Fund and the profits from Coinage. It was stated by Lord Curzon two years ago that the Gold Reserve Fund was to accumulate till it rose to 10 millions sterling, which amount, he declared, 'will be sufficient for our purpose and will give us a permanent guarantee for stability of exchange.' This limit has been already passed and the Fund to-day stands at over 12 millions sterling, and I think the Hon'ble Member owes it to the country to say what he proposes to do with the profits from Coinage in future years. The fund is to accumulate at compound interest, and may therefore be left where it is. And the profits—about 2 millions a year on an average of six years—may henceforth be used to provide money for loans to agriculturists in a comprehensive scheme for the relief of agricultural indebtedness. They will thus yield a better interest than when they are invested in consols; such a course will also enable the Government to make some reparation to those classes who have been hit the hardest by its currency legislation. Even if they were devoted to productive public works, reducing by a corresponding amount the annual borrowings of the State, that will be better than the present plan of investing in consols. The justification of a policy, which invests its own money in $2\frac{1}{2}$ per cent., and borrows at the same time for its purposes at $3\frac{1}{2}$, is not quite obvious.

My Lord, our financial administration is bound up with questions of policy of the highest importance affecting the Government of the country, and unless that policy undergoes a radical change, our revenues will not be administered in a manner which will best promote the true well being of the people. Of such questions, the most dominant, as it is the most difficult and delicate, is the question of the Army. My Lord, I fear that a protest in this country against the military policy of the Government and the ceaseless and alarming growth of our military burdens is almost like a cry in the wilderness but the protest has to be made on every occasion that presents itself, as our most vital interests are involved. In a proper solution of this question. Moreover, if ever there was a juncture when our voice in this respect should be heard by the authorities, that juncture is now. A profound change has taken place in the general position of Asiatic politics. The triumph of Japan in the late war has ensured peace in Middle and East Asia. The tide of European aggression in China has been rolled back for good. The power of Russia has been broken; her prestige in Asia is gone, she has on her hands troubles more than enough of her own to think of troubling others for years to come, and thus a cloud that was thought to hang for twenty years and more over our North Western frontier has passed away, and, humanly speaking, is not likely to return at any rate during the time of the present generation. The Anglo-Japanese alliance, concluded without considering how it would be regarded by the people of this country, is a further guarantee of peace in Asia, if such an alliance has any meaning. Surely, my Lord, this is the time when the people of this country have a right to look for a substantial relief from the intolerable burden of an excessively heavy military

expenditure which they have had to bear for so many years past. And the first step in the direction of such relief is to suspend the execution of the Reorganisation Scheme drawn up by His Excellency the Commander-in-Chief and estimated to cost more than 10 millions sterling. This scheme was projected in the early stages of the Russo-Japanese War, and was sanctioned in November 1903, when the issue of the struggle was not only uncertain but the odds seemed to be against Japan, and when apprehensions were entertained of hostile movements of Russian troops in the direction of Cabul. Now, however, that the situation has undergone a complete change and the North Western frontier, our danger-zone, has for the time ceased to be a danger-zone, there is no justification for proceeding with a costly scheme, devised to ensure a concentration of the entire armed strength of the country on that frontier at the shortest notice. The millions, again, does not represent the whole cost of the scheme. There is to be in addition a permanent burden on its account, how much it will be we have not yet been told, but the Hon'ble Mr. Baker warned the Council last year that it would be considerable. This recurring charge is to appear on the scene after five years, during which period 2 millions a year are to be spent out of current revenues to carry out the scheme. My Lord, I respectfully protest against the execution of such a scheme at such a time, as involving an expenditure of money and effort wholly beyond our capacity and not called for or justified by the requirements of the situation. The Secretary of State for India stated in Parliament the other day in reply to a question, that the matter was being further considered. I earnestly trust that his decision will be to hang up the scheme; at any rate till a more

disquieting situation than the present arises on the North-Western frontier. Should the Government, however, unfortunately make up its mind to ignore recent events and proceed with the scheme, I would most strongly urge that the money required for the initial outlay should be found out of loan funds. My Lord, during the last eight years, the Government has spent its surpluses, amounting to about 35 crores of rupees, on railways, in addition to borrowed capital. Now such expenditure of current revenues as capital outlay on productive works appears in the accounts as an addition to our productive debt (which represents the capital expended on productive works), and this necessitates a reduction by a corresponding amount of the unproductive debt of the country. Last year, when I made this simple statement in connection with my plea that the cost of the Army Reorganisation Scheme should be met out of borrowing, the Hon'ble Member, to my surprise, denied the correctness of my proposition. He, no doubt, spoke under a misapprehension, and he evidently thought that my contention was that the total debt of the country, productive and unproductive taken together, had been reduced, when my whole argument was that, as our unproductive debt, which after all is the only real debt, had been reduced by the amount of current revenues spent as capital, the whole cost of the new Army Scheme could be met out of loan funds, and yet our unproductive debt would stand lower than where it was eight years ago. My Lord, it is most unjust to the tax-payers of this country that, while the surpluses that accumulate should be spent as capital, heavy non-recurring charges in connection with the Army should be thrown on current revenues, when every pie that can be spared from these revenues is urgently needed

for the education of our children and for a hundred other objects of internal progress. The Hon'ble Member may say that till the surpluses are actually realised, no one can tell what they will be. But surely when they have been realised and when they have been so employed as to reduce the unproductive debt of the country, I think there is no excuse for avoiding borrowing, within the limits of such reduction, for meeting heavy non-recurring charges.

My Lord, I beg leave next to urge that the strength of the Army in India should now be reduced by at least those additions that were made in 1885 under the influence of the Penjdeh scare. The growth of the military expenditure in recent years has been simply appalling, as may be seen from the following figures :—

1884-1885	...	17.9 crores.	(Before the increases of 1885 were made.)
1888-1889	...	22.2 crores.	(After the increases had their full effect.)
1902-1903	...	28.2 crores.	
1906-1907	...	(Budget) ... 32.8 crores,	

Our military expenditure is now nearly double of what it was twenty years ago. Since 1888 it has risen by over 10½ crores a year, and this, notwithstanding the fact that the strength of the Army has not been increased by a single troop or company during the time. The increases made in 1885 were made in spite of the protest of two Members of the Government of India and in disregard of the view recorded by the Army Commission of 1879, that the then strength of the Army was sufficient both for internal peace, and to repel foreign invasion, not only if Russia acted singly, but even if Afghanistan joined her as an ally. And since that time the fear of Russian aggression has been the one dominating factor in all our military arrangements. With Russia now crippled, and the Anglo-

Japanese alliance concluded, the last trace of any such fear should disappear from the mind of the Government, and the country should be relieved of the burden imposed upon it specially as a result of that fear. The increasing difficulty that has of late been experienced in England in the matter of recruitment, and in providing the annual drafts for India, with the resulting payment of bounties to short-service men here as an inducement to extend their service, also points to a reduction of the garrison in this country as a necessary measure of justice to the Indian tax-payer. Should the view, however, be upheld that such a reduction is not possible on the ground urged in this Council by Sir Egmont Elles, that the Indian Army 'is no longer a local militia for purely local defence and maintenance of order,' and that it 'must in the future be a main factor in the maintenance of the balance of power in Asia,' I submit that the Imperial Government ought in justice to bear a part of the cost of an army maintained for such a purpose. My Lord, our military expenditure has now grown to such proportions that it overshadows the whole field of Indian finance, and under its chilling shade no healthy development is possible for the people. And unless the axe is resolutely applied to its overgrown portions, our life will continue to exhibit the same signs of sickness that at present unhappily mark its growth.

But the appalling increase in the weight of military burdens is not our only grievance in connection with the Army. The whole system of Indian defence, founded as it is on a policy of distrust, rests on an unnatural basis, and one notes with regret that the position is growing worse every day. Whole populations are now excluded from the Army. The abolition of the Madras Command under the new scheme involves the disestablishment of

that Presidency as a recruiting ground, and amounts to a denial to the people of Southern India of all opportunity of service even in the ranks. Recruitment is being confined more and more to frontier or trans-frontier men, to the people of non-Indian or extra-Indian areas, with the result that the Army is approximating more and more completely to a mere mercenary force. The Arms Act is being worked with increasing rigour, and licenses to carry arms are now issued more sparingly than at any time before. I believe there are not more than thirty to forty thousand such licenses at the present moment in all India. A large increase has been made in the number of British officers, attached to the Native Army, so as to give all Punjab regiments an establishment of 13 British officers, and all other regiments, of 12. This increase completely ousts the Native officers from even such positions of trust as were open to them before, and not even the command of troops and companies is now really left to them. We have been asking for years that the commissioned ranks in the Indian Army may be thrown open to aspiring and qualified Indians, scions of aristocratic families and others, and the reply of the Government is a stiffer closing of such careers to us. It is true that four members of the Cadet Corps were granted commissions last year, and the language used by the late Viceroy more than once in speaking of the Corps had raised the expectation that these young men would be allowed the same opportunities of attaining to positions of command in the Indian Army as British officers. The reply given by the Commander-in-Chief to my question on this subject last week disposes of this expectation, and we see that Lord Curzon's promise in the matter, though kept to the ear, has been broken to the heart. In pre-Mutiny days we had two systems, the

regular and the irregular. Under the regular there were 25 British officers to a Native regiment, where under the irregular there were only just 3 picked ones. The Army Commission of 1859 pronounced in favour of the 'irregular' arrangement; and after considerable discussion a compromise was eventually arrived at, and it was decided in 1863 that 7 British officers should be attached to each Native regiment--these to command squadrons and wings, while the Native officers were to have charge of troops and companies. The question was re-opened in Lord Mayo's time, and an increase of British officers was demanded; and the discussion again went on till 1875-76, when it was finally decided by Lord Salisbury (then Secretary of State for India) that the 7 officers system should be upheld, his Lordship laying stress on the point that the position of the Native officers should be improved and raised. And now the question having been brought up afresh, we find the decision going against us, and the number of British officers in Native regiments raised from 7 to 12 and 13! My Lord, such growing distrust of the people, after so many years of British rule, is to be deplored from every point of view, and not until a policy of greater trust is inaugurated, will the military problem, or indeed any other problem in India, be satisfactorily dealt with. I recognise the difficulty of the situation and the undoubted need that exists for caution in the matter. But after all it is only confidence that will beget confidence, and a courageous reliance on the people's loyalty will alone stimulate that loyalty to active exertion. As long as things continue as at present, the problem of Indian defence, do what you will, must remain essentially and practically unsolved. The experts, who accompanied the Russian and Japanese armies in the late War, have declared that the Indian Army will be

found too small, if a great emergency really arises. This is bound to be so, as long as reliance is placed on standing battalions exclusively, with such reinforcements as England might be able to send in the hour of need. Everywhere else in the civilised world, the standing army is supported by a splendid system of reserves, and the nation is behind them all. Here alone there are no reserves worth speaking of to augment the fighting strength of the country in times of war, and the matter is treated as if it were no concern of the people. The late Viceroy quoted last year the achievements of Japan to justify the enormous growth in our military expenditure. Does any one however believe that Japan's glorious achievements would have been possible, if the Government of that country had merely poured money like water on its standing battalions, unaugmented by reserves, and the magnificent spirit of every man, woman and child in that country had not been behind the Army to support it? Japan's ordinary budget for the Army is only about 37·3 millions yen, or a little under six crores of rupees. And for so small an expenditure, she has a standing army of 167 thousand men, with reserves which can raise it to over six hundred thousand men in times of war. We spend nearly six times as much money a year, and yet, in return for it, we have only an inexpansive force of about 230 thousand men, with about 25 thousand Native reservists and about 30 thousand European volunteers! Both on financial and on political grounds, therefore, our present unnational system of military defence is open to the gravest objection. My Lord, I respectfully submit that it is a cruel wrong to a whole people—one-fifth of the entire population of the world—to exclude them from all honourable participation in defence of their hearths and homes, to keep them

permanently disarmed, and to subject them to a process of demartialization such as has never before been witnessed in the history of the world. Lord George Hamilton once told an English audience that there were millions of men in India, who were as brave as any people on the face of the earth. Leaving such material, in the country itself, neglected, the Government has thought fit to enter into an alliance with a foreign Power—and that, an Asiatic Power, which once borrowed its religion from us and looked up to us—for the defence of India! Japan came under the influence of Western ideas only forty years ago, and yet already, under the fostering care of its Government, that nation has taken its place by the side of the proudest nations of the West. We have been under England's rule longer than forty years, and yet we continue to be mere hewers of wood and drawers of water in our own country, and of course we have no position anywhere else. My Lord things cannot continue—they must not continue—much longer on so unsatisfactory a basis. Time and events will necessitate a change, and true statesmanship lies in an intelligent anticipation of that change. The present Prime Minister, speaking in November last on the subject of the Anglo Japanese Alliance, observed as follows:—

I am enough of an Imperialist, if this be Imperialism, to hold that the maintenance of the integrity of India is our affair and no one else's; and, if further measures of defence are necessary—of which I have no assurance—the appeal should be to the loyalty of the people of India, and to our own capacity for organising their defence. Is there not danger that the pride of the Indian people may be wounded, and the prestige of the Empire abased in the eyes of the world, by the provision by which Japan makes herself conjointly responsible for the defence of the Indian frontier?

My Lord, this is true and far-sighted statesmanship, and my countrymen ask for nothing more than that the military problem in India be dealt with in the spirit of

this declaration of the Prime Minister. The measures needed are Short Service for the Indian Army, the creation of Indian Reserves, and the gradual extension—first to select classes of the community, and then, as confidence grows, to all, of the privilege of citizen-soldiership, so that they may be able, if the need ever arises, to bear arms in the defence of their own land. The Government may move as cautiously as may be necessary, but it is in this direction that it must move; and then the whole situation will be altered. Our military defence will then be gradually placed on a national basis, the Army will have the support of the nation behind it, the present military burden will be largely reduced, and funds set free to be devoted to other objects of national well-being; the people of the country, instead of being condemned as at present merely to pay the taxes and then helplessly look on, will be enabled to feel a real and living interest in their Army, and our position in the matter will cease to wound our self-respect. Now that all fear of any immediate aggression from outside has disappeared, a trial may be given to this policy, and I feel a profound conviction within me that England will have no cause to regret its result.

My Lord, I am free to confess that there is but little chance of any considerable change in the military policy of the Government of India being made in the immediate future, and, if I have spoken at some length on the subject to-day, it is both because the character of our national existence is bound up with the question, and also because a special appeal for a reconsideration of the policy is justified at the present juncture. I have already said that the military expenditure overshadows the whole field of Indian finance, and it is a matter for further regret that even such slender resources

as remain at the disposal of the Government of India after meeting the cost of the Army are not employed to the best advantage. My Lord, during the last eight years, the surpluses of the Government of India have amounted to no less a sum than 35 crores of rupees, and the whole of this money has been spent by the Government on Railways, in addition to the large amounts specially borrowed for the purpose! Now I do not wish to say anything against the construction of Railways as a commercial undertaking. Till recently, they used to cost a net loss to the State every year, but that has now ceased; and there is no doubt that in future years they will bring a growing revenue to the Exchequer. To the construction of Railways on a commercial basis out of borrowed money I have therefore no objection, though even here the claims of irrigation to a larger share of the capital raised must be recognised better than they have been in the past. But I have the strongest possible objection to our *surpluses* being devoted to Railway construction, when they are urgently needed for so many other objects vitally affecting the interests of the masses. My Lord, I submit that there should be some sense of proportion in this matter. Already a sum of 250 millions sterling has been spent on Railways. For many years, it was the height of the ambition of the Government of India to have in the country twenty thousand miles of Railways. The mileage open to traffic to-day is nearly twenty-nine thousand, and another two thousand is under construction. Are Railways everything, is mass education nothing, is improved sanitation nothing, that the Finance Minister should lay hands on every rupee that he can get either by borrowing or out of surpluses, and devote it to the construction of Railways

only? Replying to my observations on this subject last year, the Hon'ble Member said:—

When a surplus actually accrues either from a fortunate windfall, or from sources the continuance of which is not assured, then, I think, no more advantageous use for it can be found than to devote it to the construction of remunerative public works.

Now, with all deference, I beg to say that the Hon'ble Member's proposition is an unsound one. The course adopted by the Government would be right, if there was no need of non-recurring expenditure in other directions, more intimately connected with the well-being of the mass of the people. But, with such urgent needs of the country as decent school-houses for primary schools, works of sanitary improvement beyond the capacities of local bodies, and so forth, unsatisfied, I submit it is not a justifiable course to employ the proceeds of taxation for purposes of remunerative investment. That the surpluses are uncertain does not affect my contention at all. Whenever they are available, they may be devoted to the objects I have mentioned. When they are not available, the position cannot be worse than it is at present.

My Lord, the surpluses of the last few years—rendered possible by the artificial enhancement of the value of the rupee, and realised, first, by maintaining taxation at a higher level than was necessary in view of the appreciated rupee, and, secondly, by a systematic under-estimating of revenue and over-estimating of expenditure—have produced their inevitable effect on the expenditure of the country. With such a plethora of money in the Exchequer of the State, the level of expenditure was bound to be pushed up in all directions. Economy came to be a despised word, and increased establishments and revised scales of pay and pension for the European officials became

the order of the day. Some remissions of taxation were no doubt tardily granted, but the evil of an uncontrolled growth of expenditure in all directions in the name of increased efficiency was not checked and the legacy must now remain with us. The saddest part of the whole thing is that, in spite of this superabundance of money in the Exchequer and the resultant growth of administrative expenditure, the most pressing needs of the country in regard to the moral and material advancement of the people have continued for the most part unattended to, and no advantage of the financial position has been taken to inaugurate comprehensive schemes of State action for improving the condition of the masses. Such State action is, in my humble opinion, the first duty now resting on the Government of India, and it will need all the money—recurring or non-recurring—that the Hon'ble Member can find for it. My Lord, the three evils to be combated in connection with the raiyat's position are his fearful poverty, his ignorance, and his insanitary surroundings. And I hope your Lordship will bear with me while I indicate very briefly the lines on which action is really needed.

(1) First come a group of three measures in connection with the land. They must really go together, if a substantial improvement is the object in view. Of these the first is a reduction of the State demand on land, especially in Bombay, Madras, and the United Provinces, and a limitation of that demand all over India. There is ample evidence to show that over the greater part of India—especially in the older Provinces—the agricultural industry is in a state of deep depression. The exhaustion of the soil is fast proceeding, the cropping is becoming more and more inferior, and the crop-yield per acre, already the lowest in the world, is declining still further. And such a

deterioration in agricultural conditions is accompanied by an increase in the land-revenue demand of the State ! The raiyat staggers under the burden, but under the economic conditions prevailing, cannot help submitting to it. O'Connor, late Director-General of Statistics in India, speaking two years ago before the Society of Arts in London, and speaking with all his special knowledge of Indian agriculture, said :—

It is doubtful whether the efforts now being made to take the cultivator out of the hands of money-lenders will have much effect, or even, if they have the fullest effect, they will materially improve the cultivator's position until a larger share of the produce of the soil is left in his hands, and he is protected against enhanced rent by private landlord.

And again :—

I have little doubt that the reduction of the land-revenue by 25 or 30 per cent., if the reduction is secured to the profit of the cultivator, would be of far more value in the improvement of the class who constitute the bulk of the population, and who contribute most largely to the finances of the State.

The present system is having, and can have, but one effect. It tends to keep the one industry of the country in a hopelessly depressed condition, discouraging all expenditure of capital on land and rendering agricultural improvement an impossible hope. Whatever loss of revenue such a measure may cause directly to the State will be indirectly more than made up by a material improvement in the condition of the people.

(2) Next, a resolute attempt must be made to rescue the Indian agriculturist from the load of debt that at present overwhelms him. The problem is one of vast magnitude, and, probably, the conditions of the different Provinces will need different treatment. The best plan will be to take in hand an experiment on a sufficiently large scale over a selected area in each Province. Thus take the Deccan Districts in the Bombay Presidency. It

is the opinion of competent authorities that quite one-third of our agriculturists, if not more, have already lost their lands, and they are remaining on them merely as the serfs of their money-lenders. Now I would take the cases of such men first, and I would appoint a special tribunal to go round and look into each case, going behind the bond where necessary, and I would have a composition effected, either by amicable arrangement, or by exercise of legal powers, with which the tribunal may be armed. I would place, say, a million sterling at the disposal of the tribunal, out of which advances should be made to clear the debt, to be recovered by adding about $4\frac{1}{2}$ per cent. on them to the land-revenue demand of the State— $3\frac{1}{2}$ per cent. for interest and about 1 per cent. for repayment of capital, the repayment being spread over fifty years or so. Having helped to free the man in this manner, the Government may then fairly claim to impose restrictions on his powers of alienation. Of course, this is only a bare outline, and the scheme will have to be worked out in detail and examined carefully before adoption. If the experiment shows signs of success, it can be extended to other parts. If it ends in failure, well, some money will be lost, but the risk has to be taken. When Lord Lansdowne was Viceroy of India, he was so impressed with this evil of agricultural indebtedness that he is understood to have left a minute behind, expressing his opinion that the condition of the agricultural community was a most serious danger to British rule, and pointing out the necessity for immediate action. It is now fourteen years since he left India, and yet only the attempt made by the Government to deal with the problem is represented by some legislation intended to restrict the raiyat's powers of borrowing! What may usefully be the last link of the chain has thus

been made by the Government the sole link, with the result that the situation to-day is as grave as ever.

(3) But these two measures will fail to do any permanent good to the raiyat, unless they are accompanied by the third measure of the group, namely, the providing of facilities which, while encouraging thrift, will enable the agriculturist to borrow on occasions for his reasonable wants at a low rate of interest. The Co-operative Credit Societies, for which an Act was passed two years ago, will not go any long way in this direction. The communal spirit is now very weak over the greater part of India, and the unlimited liability principle, which the Act insists upon, will keep substantial men from these Societies, and any number of paupers brought together will have neither the cash nor the credit to help one another. If unlimited liability is removed and a portion of the Savings Banks deposits is made available to these Societies, they may do some useful work. But what the country really needs is the establishment of Agricultural Banks, like those which have been so successfully introduced into Egypt by Lord Cromer.

(4) Two other measures necessary for the promotion of agricultural prosperity in India, one of which has already received a good deal of attention at the hands of the Government, and the other has been recently taken up by it, are Irrigation and Scientific Agriculture. About Irrigation I would only like to ask why it is necessary to have the selected projects carried out departmentally, and why their execution cannot be entrusted, as in Egypt, to expert contractors, who would find and train the required labour, the Government exercising supervisional control only? I think, in this matter too, the Government of India may well take a leaf out of the book of that great

administrator Lord Cromer. If this were done, far more rapid progress would be made in the matter of Irrigation. As regards Scientific Agriculture, the country is watching with keen interest the steps which the Government is taking in the matter. I must, however, express one fear in this connection. If it is proposed to import European experts for the work as a standing arrangement, there will be small chance of any substantial good being done. The knowledge brought into the country by a succession of foreign experts, who retire to their own lands as soon as they have earned their pension, is like a cloud that hangs for a time overhead without descending in fertilizing showers, and then rolls away. Unless promising and carefully selected Indians are sent abroad to be trained and to take the places of the imported experts in due course, such expert knowledge will never become a part and parcel of the possession of the community. Of course, to begin with, a reliance on foreign experts is necessary, but care must be taken to make the arrangement only temporary.

(5) The promotion of industrial and technical education in the country is also an urgent necessity as a remedy for the extreme poverty of our people. This field has so far remained entirely neglected, with what results even the most superficial observer can see. The sum of 2½ lakhs of rupees, provided in this year's Budget, is as nothing compared with what is needed. The country requires at least one large fully equipped Technological Institute at some central place, with Branch Institutes in the different Provinces.

(6) I now come to the question of Primary Education. From Mr. Nathan's Report on Education, we find that, in 1901-02, the total expenditure on the primary education of boys in India from the funds of the State was

the staggeringly small sum of 13½ lakhs! Since then the amount has been increased, but even so it remains most miserably inadequate, compared with the requirements of the situation. My Lord, the question of mass education in this country has been neglected much too long, and the Government must lose no more time in waking up to its responsibilities in the matter. What is needed is a clear aim, and a resolute pursuit of that aim in a feeling of faith and with enthusiasm for the cause. The first step is to make primary education free in all schools throughout the country, and that can be done at once. The total receipts from fees in primary schools throughout India in 1901-1902 were only 30½ lakhs of rupees, so the sacrifice will not be very great. Moreover, the larger Municipal Corporations might be asked to bear a portion of this loss, so far as their own areas are concerned. The next step will be to make this education compulsory for boys in the Presidency towns, and perhaps in a few other leading towns. When the minds of the people have been accustomed to the idea of compulsion in the matter of education, the area of compulsion may be gradually extended, till at last, in the course of twenty years or so from now, we have in our midst a system of compulsory and free primary education throughout the country, and that for both boys and girls. It will not do to be deterred by the difficulties of the task. Our whole future depends upon its accomplishment, and as long as the Government continues listless in the matter, it will justly be open to the reproach of failing in one of its most sacred duties to the people.

(7) Lastly, there is the pressing need of works of sanitary improvement, such as good water supply and drainage. As I pointed out last year, most of our towns

are simply powerless to undertake such costly works without substantial assistance from the State. With the plague in all directions, and with the death-rate of the country steadily rising, the question of sanitary improvements assumes an importance which the Government cannot long ignore. The resources of our local bodies are barely sufficient for their current needs, and any large capital outlay is wholly beyond them. The present distribution of resources and responsibilities between local bodies and the central Government is most unfair to local bodies, and that is the explanation of the spectacle we have seen during the last few years, namely, that of the Exchequer of the Government overflowing with money, while these bodies have been in a state verging on bankruptcy. It is necessary that the Government should formulate and announce a definite policy on this matter.

All these measures that I have briefly outlined will require a large expenditure of money—both recurring and non-recurring. But even as our resources stand at present, there is room for undertaking them all. Thus if the Army Re-organization scheme is held up, or at least its initial cost is met out of borrowing, a sum, from one to two millions a year, will be available, and that may be devoted to a vigorous extension of primary education. The profits of coinage—averaging now about two millions a year—may supply funds for the relief of agricultural indebtedness. The famine grant which stands at a million sterling, may, after deducting the expenditure on actual famine relief, now be devoted to industrial and technical education. The deposits in Savings Banks may be made available to Co-operative Credit Societies. And whatever surpluses accrue may be devoted to assisting local bodies in the construction of works of sanitary improvement. At

any rate an important beginning can be made in all these directions, only the spell, under which the official mind has been for so many years, must be broken.

My Lord, the improvement of the condition of the masses and the conciliation of the educated classes are the two really great problems before the British Government in India. The success or failure of England's work in this country will be determined by the measure of her achievement in these two fields. I have already spoken of the work that must be taken forthwith in hand for the moral and material advancement of the mass of our people. The task is one of great magnitude, but it is comparatively a simple one. The question of the conciliation of the educated classes is vastly more difficult, and raises issues which will tax all the resources of British statesmanship. There is but one way in which this conciliation can be secured, and that is by associating these classes more and more with the government of their own country. This is the policy to which England stands committed by solemn pledges given in the past. This is also the policy which is rendered imperative by the growth of new ideas in the land. Moreover, my Lord, the whole East is to-day throbbing with a new impulse—vibrating with a new passion—and it is not to be expected that India alone should continue unaffected by changes that are in the very air around us. We could not remain outside this influence even if we would. We would not so remain if we could. I trust the Government will read aright the significance of the profound and far-reaching change which is taking place in the public opinion of the country. A volume of new feeling is gathering, which requires to be treated with care. New generations are rising up, whose notions of the character and ideals of British rule are derived only from

their experience of the last few years, and whose minds are not restrained by the thought of the great work which England has on the whole accomplished in the past in this land. I fully believe that it is in the power of the Government to give a turn to this feeling, which will make it a source of strength and not of weakness to the Empire. One thing, however, is clear. Such a result will not be achieved by any methods of repression. What the country needs at this moment above everything else is a Government, national in spirit, even though it may be foreign in personnel—a Government that will enable us to feel that *our* interests are the first consideration with it, and that *our* wishes and opinions are to it a matter of some account. My Lord, I have ventured to make these observations, because the present situation fills me with great anxiety. I can only raise my humble voice by way of warning, by way of appeal. The rest lies on the knees of the gods.

BUDGET SPEECH, 1907.●

[At a meeting of the Imperial Legislative Council, held on Wednesday the 27th March 1907, His Excellency Lord Minto presiding, the Hon. Mr. G. K. Gokhale made the following speech on the Financial Statement for 1907-08, presented by the Hon. Mr. E. N. Baker :—]

My Lord, it is a matter of deep and sincere satisfaction to me that the Government has effected a further reduction in the duty on salt, which will now stand at the uniform rate of Re. 1 per maund both in India and in Burma. In view of the language employed by the present Secretary of State for India, in speaking of this impost last year, such action on the part of the Government has not been wholly unexpected. I only wish the Hon'ble Member had spoken of this reduction with more enthusiasm than he has done. I know my Hon'ble friend holds what may be called orthodox official views on this subject. The Council will remember that last year he told us, in his concluding remarks on the Budget, that he "never believed that the tax pressed with undue severity even on the poor." Again this year he says that "the salt-tax is the only contribution towards the public expenditure that is made by a large number of the people." Now the former statement is contradicted by the rapid rise in the consumption of salt which has taken place in response to each successive lowering of the duty and which the Hon'ble Member himself describes as "remarkable." No one is ever likely to stint himself in regard to a prime necessary of life such as salt, unless driven to do so by sheer inability to buy the required quantity. No one, again, is likely to

purchase more of it than he needs, simply because it is cheaper than it was before. And I think that the remarkable expansion of consumption that has taken place since the duty was first lowered in 1903—from $36\frac{1}{2}$ million maunds, the average for three years immediately preceding 1903, to $43\frac{1}{2}$ millions, which is the Hon'ble Member's cautious estimate for the coming year, an increase of nearly 20 per cent. in five years—is conclusive evidence of the fact that a high rate of duty entails serious privation and suffering to the poorer classes of the people. As regards the second statement of the Hon'ble Member, viz., that the salt-tax is the only contribution which the poorer classes make to the Exchequer, with all deference I must dispute altogether the correctness of the contention. Why, my Lord, so far from this being the case, the fact is really the other way. I think there is no room for doubt that even now, after these successive reductions of salt duty, our poorer classes contribute, relatively to their resources, much more than their fair share to the revenues of the State. These classes consist almost entirely of a broken and exhausted peasantry, without heart and without resource, and sunk hopelessly in a morass of indebtedness. It is from this peasantry that, over the greater part of India, the land revenue of the State is derived, and it is the same with Provincial Rates. Then the bulk of the revenue from drink comes from these classes. The excise duty on cotton goods falls almost exclusively on them. Under Stamps and Registration they pay, certainly, their fair share, and probably more than their fair share, since the bulk of our litigation is about small amounts. Under Forests they have been deprived of their immemorial right to free grazing and free fuel, and the proceeds of these are the only burdensome

part of forest receipts, the rest being fair value realised for timber and other products. Even under Customs, where their contribution is expected to be the least owing to their excessive poverty, the Hon'ble Member's predecessor, Sir Edward Law, once calculated that they paid between 20 and 25 per cent. The only tax from which they are altogether free is the income-tax, and the proceeds of this tax are comparatively small, being under 1½ millions sterling a year. Now these, together with the salt-tax, of which the main burden is admittedly borne by them, and the Opium revenue, which is contributed by the foreign consumer, are our principal heads of revenue, and I repeat there is no justification for the assertion that the salt-tax is the only contribution which the poorer classes in India make to the Exchequer of the State. It may be mentioned that Mr. O' Conor, late Director-General of Statistics, in a paper read by him three years ago, described the poorer section of Indian cultivators as a class that "contributed most largely to the finances of the State." My Lord, I have made these observations, not in a spirit of mere controversy, but because Mr. Morley's pronouncement of last year on the subject of the salt-tax encourages the hope that we may now look forward to the time when this tax may be done away with altogether, and this consummation is not likely to be forwarded, if the Hon'ble Member's views in the matter are allowed to pass unchallenged.

I am glad to see that my suggestion of last year that in the general statements of revenue and expenditure, the figures under Railways and Irrigation (Productive Work) should be given net, has been met more than half way in this year's Statement, by the working expenses on Railways being brought over to the revenue side and deducted

therefrom the gross Railway receipts. This is satisfactory as far as it goes, but it does not go far enough, and I think that the Hon'ble Member, having once begun this reform, must now complete it. He still leaves the interest on Railway debt where it was in the accounts. The result is that the figure of Railway revenue, and through it that of our total revenue, continues to be unjustifiably swollen by the amount of this interest, which already stands at about 10 millions sterling and which will increase from year to year as the capital outlay on Railways advances. The Hon'ble Member observes in this connection :—

We have left the Interest on Railway debt in its original place: to have brought it over to the Revenue side of the account as a deduction from its Gross-receipts would have necessitated a large *minus* entry in the column for revenue accruing in England.

And such a *minus* entry the Hon'ble Member wishes to avoid, as it would be unintelligible to the ordinary reader. But there are *minus* entries in several other places in the Financial Statement, and if the ordinary reader does not mind them, I do not see why he should mind one more. And in any case it is better to be unintelligible than to be unscientific or misleading. Again, the Hon'ble Member has left the figures under Irrigation as they were before. He says :—

We have not thought it essential to go so far as the Hon'ble Mr. Gokhale suggested and to show the Irrigation revenue net. I quite admit that the same general principle applies to the Irrigation as to the Railway figures: but the former are not yet sufficiently large to cause any serious distortion of the true revenue and expenditure of India.

But I would respectfully ask—why allow the figures of true revenue and expenditure to be thus distorted at all? Moreover, it introduces a new element of confusion if Railway receipts and Irrigation receipts, which are both exactly in the same position, are treated in the accounts in two different ways. In these matters it will not do to

alter the prescribed forms repeatedly, as that must make a correct comparative view of the financial position over series of years extremely difficult. And, therefore, now that the Hon'ble Member has already taken in hand this reform, I earnestly hope that he will not stop half way but will proceed to the end, and place the matter once for all on a proper scientific basis.

Another suggestion which I had ventured to make last year was with reference to the separation of Local revenue and expenditure from Provincial and Imperial. In his reply the Hon'ble Member had stated that he himself was in favour of the proposal, as the balance of advantage lay in favour of making the suggested change, and that the matter was under consideration. I am, therefore, disappointed to find that the old practice is still there, and that there is no indication in the Financial Statement as to what has been the decision of the Government in the matter. The present practice is responsible for a good deal of unnecessary and avoidable misapprehension. Especially is this the case with reference to educational expenditure. Thus, in the Financial Statement we are told that the educational expenditure for next year will be 2 millions sterling. I understand that out of this about £800,000 will be Local. But there is nothing in the Statement to show this, and one is apt to imagine that the whole amount of 2 millions will come from Imperial and Provincial revenues. Last year Mr. O'Grady, a prominent member of the Labour party, made an inquiry in the House of Commons as to the amount spent in India from the Indian Exchequer on Elementary Education. The Secretary of State's reply, instead of stating the amount spent from Imperial and Provincial revenues—which for

1904-1905 was, according to a return laid by the Home Member on the table of this Council the other day, only £160,000—gave the figure of expenditure from "Public Funds," which necessarily was much larger. Mr. O'Grady, not being satisfied with the answer, put, after a few days, another question asking the Secretary of State to specify how much of that total expenditure from Public Funds came from Provincial and Imperial revenues. The reply to this was that the Secretary of State was not in a position to state the amount, but that he would make inquiries! Now, my Lord, this is not at all a satisfactory state of things. Surely the accounts of the Government of India ought to shew what is the State expenditure on Education apart from Local expenditure. I earnestly trust, therefore, that the suggested separation, which the Hon'ble Member himself regards with favour, will soon be carried out and that the Financial Statement for next year will not be open to criticism on this account.

Coming now to larger questions, I find that I must renew my earnest and emphatic protest against the manner in which our surpluses still continue to be expended as capital outlay on Railway construction. My Lord, I have spoken repeatedly on this subject in previous years, but I feel the injustice of the present arrangement so strongly that I must ask the Council to bear with me while I urge once again, as briefly as I can, my reasons why a change of policy is immediately called for in this matter. This is the ninth successive year when a substantial surplus of revenue over expenditure has been realised, and it is clear that the era of surpluses has not yet come to an end. The total of these surpluses during these nine years stands at the high figure of 37 crores of rupees, or about 25 millions sterling, and nearly the whole of this amount has been

spent as capital on Railways. Now a surplus is so much more money taken from the people, either through miscalculation or in other ways, than was needed for the requirements of the Government. And, as it is not possible to return this money to the tax-payers in a direct form, what the Government is bound to do with it is to apply it to purposes which are most calculated to benefit the mass of the people. And the question that we must consider is this—what is the most urgent need of the mass of our people at the present day? Judging from the manner in which the surpluses are applied year after year to Railway construction, one would conclude that, in the opinion of the Government, what the people needed most was a vigorous extension of Railway facilities. Now, my Lord, I respectfully submit that such a view of the situation is not justified by the circumstances of the country. The claims, for instance, of Sanitation on the attention of the Government are at the present day infinitely stronger and more urgent than those of Railway construction. Already an enormous sum—no less than 400 crores, or 260 millions sterling—has been spent on Railways in India, while next to nothing has so far been expended on the construction of sanitary works. With so many towns in the country decimated by plague year after year, with cholera and malaria committing their havoc in other parts, with the death-rate of the country as high as 35 per thousand as against 16 per thousand in England, I do not see how the Government can continue to leave Sanitation practically to take care of itself. Let the Council consider what difference it would have made to the country, if the surpluses of the last nine years—37 crores of rupees—had been devoted to sanitary works instead of to Railway construction! My Lord, we all

know that, by spending the surpluses as capital on Railways, the Government is able, in the final adjustment, to reduce by a corresponding amount ~~penditure, productive debt~~ of the country. And it may be intended that though the surpluses are in the first instance devoted to Railway construction, they are in the end virtually utilised for the reduction of debt. My answer to this is that our debt, by which I mean the unproductive debt of the country—for that is the only real debt—is so small in amount that its further reduction is not an object of much importance. Taking the year 1904-05, we find that this debt then stood at the figure of 60 millions sterling. The "other obligations" of the Government of India, such as Savings Banks deposits, Service funds, and so forth, amounted in that year to 17 millions. Against this there were cash balances in the Treasuries, here and in England, amounting to 21 millions, and the loans and advances by the Government stood at 12 millions. Our net debt thus is about 44 millions sterling, or less than two-thirds of a year's revenue. This is almost a paltry figure, compared with the huge debts of European countries, and the position may no doubt be regarded with satisfaction. But it must not be forgotten that such a result has been rendered possible only by throwing on current revenues for a quarter of a century the burden of all manner of extraordinary charges, which in other countries are usually met out of loan funds. The further reduction of this small debt, therefore, is not a matter of urgency and can well wait, when the money devoted to it may be far better employed in saving the lives of the people: My Lord, it will not do for the Government to say that sanitation is the concern of Local Bodies and it is for them to find the money required to improve it. Most of our towns are

extremely poor and the present distribution of the Government and the Local Bodies is of a most unsatisfactory character. How unsatisfactory it is may be judged from the fact that, while there has been a plethora of money in the Government Exchequer for the last nine years, most of our Local Bodies have all the time been struggling with serious financial difficulties and some of them have been in a state not far removed from bankruptcy. Without substantial assistance, therefore, from the Government in meeting the large capital outlay which modern sanitary works require, Local Bodies will never be able to grapple with the problem of improved sanitation; and to my mind there can be no more desirable object on which the Government might expend its surpluses. The Supreme Government should call upon the Provincial Governments to assist sanitary projects liberally out of their own ordinary revenues, and whenever a surplus is realised, it should, as a rule, be placed at the disposal of Provincial Governments for pushing on the construction of sanitary works. I know there is the standing pressure of the European Mercantile Community to expend every available rupee on Railways, and these men are powerful both in this country and in England. But, my Lord, the Government must resist this pressure in larger interests, so far at any rate as the surpluses are concerned. Time was, not long ago, when the Government never thought of spending more than four or five crores a year on Railways. And ten years ago Sir James Westland protested sharply against the manner in which programme after programme of Railway construction was being pressed on him in breathless succession. It is true that in those days the Railways were worked at a net annual loss to the State, and that in that respect the

position has now undergone ^{surprise} in the ~~in the~~. Still $13\frac{1}{2}$ crores is a very large amount to spend in ~~expenditure~~ ~~on the railways~~ and yet the Hon'ble Member has ~~la~~ brought it necessary to be apologetic in making the announcement! My Lord, I have no objection to the Government using its borrowing powers as freely as possible to push on Railways, which now rest on a sound commercial basis. But it seems to me most unfair that the loans thus raised should be supplemented by the proceeds of taxation. Moreover, judging from certain observations made by the Hon'ble Member last year, I believe that another resource, and that a large one, will probably be soon made available for Railway construction, and that will be a strong additional ground for devoting surpluses in future years to the improvement of sanitation.

This resource is the profit now annually realised by the State from the coinage of rupees. For the current year it has amounted to the large sum of 4 millions sterling or 6 crores of rupees. Last year it was nearly as large, being $3\frac{2}{3}$ millions sterling or $5\frac{1}{2}$ crores. Hitherto these profits have been allowed to accumulate at compound interest, and this Fund, which will in future be known by the name of Gold Standard Fund, stands at present at over 16 millions sterling. I think, my Lord, the public has a right to ask that the Government should now state definitely what limit they propose to assign to this fund, and how the profits from coinage will be dealt with when that limit is reached. This is necessary in view of the fact that the statements hitherto made on this subject by those in authority have been more or less vague, and, in some respects, even conflicting. Sometimes the purpose of the fund has been stated to be merely the ensuring of the stability of exchange, and sometimes the much more

ambitious purpose of ~~the~~ for a gold currency has ~~and~~ was first constituted in 1900, it was in accordance with a recommendation of the Fowler Committee of 1898—a recommendation which had been made with a view to the maintenance of a stable exchange. In 1901-02 Sir Edward Law, in speaking of the Reserve, leaned to the view that it would serve, as “a guarantee for the conversion into gold, if required, of the Rupee token coinage.” Lord Curzon, however, merely described it as a means of maintaining the exchange value of the rupee at 1s.4d. In 1902-03 Sir Edward Law again referred to this Fund, and this time he also stated its purpose to be the maintaining of a stable exchange. In 1904 Lord Curzon reaffirmed the same view. In 1905 the Hon’ble Mr. Baker also gave this view prominence in his statement. Last year, however, the Hon’ble Member pushed the other and more ambitious view to the front and spoke of the time when the rupees would have to be converted into sovereigns. Again, as regards the amount that is required for ensuring stability of exchange, different statements have been made by different authorities. Lord Curzon said that 10 millions sterling would suffice for the purpose. Sir Edward Law put the limit at 20 millions. The Hon’ble Mr. Baker has put it still higher. In 1905 the Hon’ble Member said:—

I should like to see it (the fund) raised to such a figure as would enable us, in the event of extreme and continued emergency, to reduce the Secretary of State’s drawings by one-half for three years in succession, i.e., to something between 20 to 30 millions sterling.

Now, my Lord, all this is somewhat confusing, and the Hon’ble Member will recognise the necessity of making a full and definite statement of the intentions of the Government both as regards the purpose which the Fund is to serve

purpose and the limit up to which, in the ~~on~~. This is the more necessary because the ~~Expenditure, had no other more~~ executive sanction without having recourse to the authority of the Legislature, and also because the annual profits from coinage are now far larger than had been anticipated. I think the Government ought to adhere to the idea of the fund merely serving as a guarantee for the maintenance of a stable exchange. In that case, even the high limit contemplated by the Hon'ble Member would soon be reached and the profits from coinage—a matter now of five or six crores a year—would be available before long to be employed more usefully than at present. On the other hand, if the more ambitious purpose avowed by the Hon'ble Member last year is to determine the policy of the Government, no limit can be foreseen to the accumulation of the Fund. Such a course, in my humble opinion, would not be justified, and I would venture to urge the following objections against it:—

- (a) That a gold currency for India has never been authoritatively proposed as a definite object to be attained. A stable exchange at a reasonable rate is all that successive authorities have sought to ensure.
- (b) That it is wrong to pile up a huge gold reserve in pursuit of an object never proposed, or defined, or even regarded as attainable within a measurable distance of time.
- (c) That it is looking too far ahead into the future to anticipate the introduction of a gold currency into India.
- (d) The present margin between the value of bullion and the token value of the coin will not suffice to ensure the conversion of rupees into

of the situation, in the interests, on the side of ~~the~~ ^{ET SP} questioned continuance no real progress for their country is possible. My Lord, many things have happened during the last three years which have had the effect of swelling the ranks of these men. Even the feeling of love and reverence, with which, as a great teacher, the philosopher-statesman at the India Office was regarded by successive generations of educated Indians and which was really an asset of value to British rule when he took charge, has helped to add to the difficulties of the situation. That feeling has given way to a sense of irritation and disappointment, because Mr. Morley has on occasions used language which has wounded and has sanctioned measures which have bewildered and amazed. And though those among us, who have not made sufficient allowances for Mr. Morley's difficulties, will in the end regret the harsh things they have said of him, he certainly for the time has lost the power of arresting the rapid decline of my countrymen's faith in England's mission in this country. My Lord, the Government will no doubt put down—indeed, it must put down—all disorder with a firm hand. But what the situation really requires is not the policeman's baton or the soldier's bayonet, but the statesman's insight, wisdom and courage. The people must be enabled to feel that *their* interests are, if not the only consideration, at any rate the main consideration that weighs with the Government, and this can only be brought about by a radical change in the spirit of the administration. Whatever reforms are taken in hand, let them be dealt with frankly and generously. And, my Lord, let not the words 'too late' be written on every one of them. For while the Government stands considering—hesitating, repeding, debating within itself 'to grant, or not to grant, that is the question'—opportunities rush past it which can never be recalled. And the moving finger writes and having writ, moves on!

LEGISLATIVE

BUDGET SPEECH

[The following speech was delivered in the Imperial Legislative Council on the 29th March 1909 on the Financial Statement for 1909-10 presented by the Hon. Sir Guy Fleetwood Wilson. Lord Minto was in the chair. This was the last year of the old order, under which the Budget debate was the one occasion in the year available to Non-official Members to bring to the notice of the Government questions connected with the general administration of the country.]

My Lord, the Hon'ble Member is entitled to the fullest sympathy of this Council and of the country in the difficult task with which he finds himself confronted at the very commencement of his tenure of office as Finance Minister of India. After a succession of surpluses, extending over ten consecutive years, we have come, suddenly and almost without warning, to a year of a heavy deficit, and this abrupt change is accompanied by an uncertainty about the future, which aggravates the anxieties of the situation. It is true the Hon'ble Member estimates, on the assumption of a normal season, a revenue for next year fully equal to its requirements, and he even budgets for a small surplus. But reading between the lines of his statement, one cannot help feeling that he regards the prospect before him with considerable uneasiness. The Hon'ble Member bases his figures of revenue on a normal season, though such estimating is, in his opinion, 'largely a gamble in rain.' The grave depression in trade, which has so seriously reduced our railway receipts during the current year, and which, as the Hon'ble Member says, is not local or peculiar to India, but is 'one of those great reactions which periodically affect the whole civilised world,' has not yet passed away, and yet the Hon'ble

Member takes for railway charges a figure £2½ millions, and thus placing our railway activity during next year 'where it would have been in 1908-1909, if conditions had been normal, with a small extra margin for the increased mileage.' Finally the Hon'ble Member uses significant language when he says:—

I have no desire to minimise the difficulties, which it would be folly to ignore, attaching to Currency and Exchange, to the present position of the Gold Standard Reserve, and the weakness of our cash balances.

I doubt, therefore, if the Hon'ble Member himself feels much confidence in the estimates which he has laid before the Council, and I think that the position of equilibrium, for which he has budgetted, indicates more a suspension of judgment on his part than a reasonably confident anticipation of next year's revenue and expenditure.

My Lord, a deficit of 3½ millions sterling or over 5½ crores of rupees is the heaviest deficit we have had in any year during the last fifty years. And only once during the period has it exceeded 3 millions. That was in the year 1897, when the country was devastated by one of the greatest famines of the last century and when in addition there were prolonged military operations on the North-West frontier—the famine costing in direct relief 3½ millions, and the military operations 2½ millions, and the accounts showing a deficit of 3½ millions. It is, however, necessary to remember that the current year's deficit includes a sum of £725,300 under railway charges, which should not be charged against revenue at all, being the portion of the annuity payments devoted to redemption of capital. The exclusion of this sum reduces the deficit from 3½ millions to 3 millions. Even so, it is a heavy deficit, and, in view of its serious nature, I fear, regret will be expressed in some quarters—I already notice a

tendency in that direction—
have granted successive remissions.

Government should

I think therefore that it will be useful to recall here the extent of these remissions and their true relation to the growth of our revenue in recent years. These remissions have been three reductions of the salt-duty, each by 8 annas a maund, reducing the duty altogether from Rs. 2-8 annas to Re. 1 a maund, the exemption from income-tax of incomes between Rs. 500 and Rs. 1,000 a year, the abolition of famine cesses in Northern India, and the abolition of certain local taxes on land in several Provinces. The total relief granted to the tax-payers by these various measures has been a little over four millions a year. Now to understand correctly the real bearing of these remissions on the general financial situation it is necessary to glance briefly at the history of our finances since 1885. The first eleven years of this period were a time of extreme stress and anxiety for the Finance Minister, owing mainly to the fall in the exchange value of the rupee, which declined rapidly from over 19d. to about 13d., while at the same time military expenditure was rising and the opium revenue going down. The Government met the difficulties of the situation by heavy and continuous additions to the taxation of the country, adhering rigorously to the canon of finance that the year's expenditure should come out of the year's revenues. The lowest point touched by exchange was in 1894-95, when it stood at 13-1d. to the rupee. And yet by raising the level of taxation high enough, the Government were able to realise even in that year a surplus of 70 lakhs of rupees. From that point onwards, exchange again rose steadily owing to the currency legislation of 1893, till at last in 1899-1900 it established itself firmly in the vicinity of 1s. 4d. And when, three years later,

the first remission of ~~the~~ was granted, the position was this:—The rupee had fallen from 13½d. to 16d.; there had also been a considerable increase of revenue under most of the principal heads; but the level of taxation still stood where it had been pushed up when the rupee had fallen to 13½d. Now a rise in exchange from 13½d. to 16d. meant a saving of 3½ millions sterling in the cost of remittances to England necessary to meet the Home Charges, taking these charges even at the lower figure of 1894-95. And this saving the Government were morally bound to return to the taxpayers, however they dealt with the general increase of revenue that had accrued. As the various remissions put together have amounted to about 4 millions a year, it is clear that the relief granted to the tax-payers during the last six years has not materially exceeded the saving effected in the cost of Home remittances by an artificial appreciation of the rupee. It may be noted that in spite of these remissions of 4 millions a year, the revenue to-day is higher than it was six years ago, the receipts under the principal heads for the current year being over 49 millions as against 45·6 millions for 1902-03, the year immediately preceding the first reduction of taxation.

My Lord, the year about to close has been a famine year, and it is instructive to compare it with the year of the last great famine—1900-01. That famine was admittedly one of the severest, as it was the most extensive of any that have been known in India, and it cost over 4 millions in direct relief. This year's famine, on the other hand, was confined mainly to the United Provinces and the cost of relief has been only a million. The revenue under the principal heads for 1900-01 was 43·6 millions; that for the current year, in spite of the remissions of taxation

granted in the interval, millions. (The latter figure includes the revenue which the former does not, but the former includes proceeds of local rates, which are excluded from the latter.) In 1900-01, there was a saving in military charges owing to the absence of a portion of the troops in South Africa, against which may be set the windfall under opium during the current year. Under Railways there was a small net revenue of about $\frac{1}{2}$ million in 1900-01 as against the loss in this year's Revised Estimates of a little under $\frac{1}{2}$ million. The Government thus had in 1900-01 a smaller revenue and had to incur a much larger expenditure on famine relief than during the current year, and yet in the former year they were able to show a surplus of 1·7 millions, whereas in the latter they have a deficit of 3 millions, exclusive of the sum devoted to the redemption of railway capital. This shows the extent to which the ordinary expenditure of the country has grown during the last eight years. Of course a good part of this increased expenditure has been devoted to most worthy objects, such as extension of education, improvement of agriculture, police reform, grants to District Boards, grants for sanitation, and so forth. But there is also no doubt that a portion of the increase has been due to the fact that money was available and the need for economy was not obvious. The scales of pay, for instance, of the superior grades in most departments have been augmented during the last few years. And in this connection I cannot help recalling the vigorous language used by His Honour Sir Edward Baker two years ago in speaking of the pressure constantly brought to bear on the Finance Department in the matter.

I have now been, said His Honour, connected with the Finance Department of the Government of India for five years continuously, and during that period I do not believe that a single

day has passed on who
assent to an increase
appointments, &c.

been called upon officially to
some appointment or group of
on of some Department or to an
All experience proves that where
revision is needed, either of strength or emolument, the Local
Governments and the heads of Departments are only too ready in
bringing it forward. Nor are the members of the various services
at all backward in urging their own claims.

I am glad the Hon'ble Member proposes to enforce a policy of strict retrenchment in all directions. If he succeeds in doing so to any appreciable extent, the present deficit will have proved a blessing in disguise! One feature of the present financial situation, to which attention may be drawn, is the greater extent of the reliance which is now placed on net railway revenue to meet the ordinary recurring expenditure of the country. Our railways, after causing a net loss to the country year after year for half a century—amounting in all to more than fifty crores—began to show a small profit nine years ago. And during the last four years, this profit reached the high average of about three crores a year. Unfortunately they have failed us somewhat suddenly this year, and I fear it will be necessary to regard this source of revenue with a certain amount of distrust in the future.

My Lord, the Hon'ble Member has adopted, if I may presume to say so, an entirely wise course in budgetting for a position of equilibrium for next year in spite of the heavy deficit of the current year. We all hope with him that the next season will be a normal one and that the depression in trade will soon pass away. We hope also that no new clouds will gather on the horizon. There is no doubt that in ordinary circumstances and in the absence of any special disturbing factors the financial position of the country is a strong one. And by this time next year, we shall be in a better position to judge whether the causes that have brought about the present disturbance

are temporary or will ~~be~~ ^{be} in operation. I must, however, confess, my ~~the~~ ^{the} continued prevalence of high prices in all ~~the~~ ^{the} to me to be an element of considerable anxiety in the present situation. Last year, in the course of the budget debate, I ventured to express my apprehensions on this subject, and further consideration has only strengthened those apprehensions. I think the quantitative theory of money holds good much more in the case of a backward country like India than in those of more advanced countries. Variations in the prices of individual commodities may be due to variations in the demand for them or in their supply. But a more or less general rise of prices can only point to a disturbance of the currency. Such rise need not be uniform in the case of all commodities, for in the view which I am stating, prices are a function of three variables—currency, demand and supply, and any general rise resulting from a disturbance of the currency may be modified in particular cases by one or both of the other two factors. The whole question requires a close and immediate investigation by a competent body of men, and I sincerely trust the Government have made up their mind to direct such an enquiry. The experience we have had this year of the Gold Standard Reserve must lead many of us to revise our ideas on that subject. The Government are being urged on all sides to build up a strong reserve, but we seem to stand in this matter on the horns of a dilemma. If the mints continue idle, as at present, and no new rupees are coined, there will be no coinage profits and therefore no additions to the Gold Standard Reserve. On the other hand, if new rupees are coined, they will, I fear, tend to raise prices still higher in the country. And this will discourage exports and stimulate

imports, and will exert a diverse influence on our balance of trade. I have urged in defence of the ~~new coinage~~ recent years that they were issued solely to meet the demands of trade. The course adopted does not, however, seem to be justified by the results. It is important to remember that the Fowler Committee had expressed itself strongly and clearly against such new coinage until a sufficient quantity of gold was in circulation in the country.

The Government, they wrote, should continue to give rupees for gold, but fresh rupees should not be coined until the proportion of gold in the currency is found to exceed the requirements of the public.

It seems to me that the only way now out of our difficulties is to follow the example of France and the United States, and while admitting the rupees to unlimited tender, stop the coinage of new rupees and coin gold pieces instead. Of course I express this opinion with great diffidence, for there are serious considerations on the other side and the whole subject is enveloped in great obscurity. But I fear that the present half-way house will not do, and unless we place our currency on an automatic and self-adjusting basis, the clouds that are already overhead will thicken and not roll away.

My Lord, I am sincerely pleased that as a result of this year's deficit, the special military grant of two millions a year, which has been placed at the disposal of His Excellency the Commander-in-Chief for the last four years for his Re-organisation Scheme, will be abolished from next year. The relief afforded by the abolition to the finances is no doubt, more apparent than real, for already in its place there is a permanent increase of expenditure of $1\frac{1}{2}$ millions a year—£655,100 as the permanent charge left behind by His Excellency's completed

special measures, and for increased payments to the War Office and for pay and allowances to Indian troops—with an inability to find, as before 1904, whatever extra sums the military authorities may demand for 'indispensable' special measures. Still it is a matter for satisfaction that this fixed, heavy burden, which we have borne for four years, is for the present at any rate off our shoulders. It is somewhat disappointing that of the 8½ millions spent out of the special grant since 1904, only about 3½ millions have been expended on measures included in His Excellency's original programme. It was expected that as a result of the completion of that programme there would ultimately be a saving in the military expenditure of the country. That expectation, I fear, will not now be realised, if only one-third of the scheme has so far been carried out. The increase, in the payment to the War Office, of £300,000 a year is regarded throughout the country as an unjust addition to our burdens and is deeply resented. It is understood that the Government of India protested strongly against this fresh imposition and the best thanks of the country are due to the Government for this. On the other hand the increase in the pay of Indian troops was quite necessary and has been received with sincere pleasure by all classes of the people.

I have several times expressed my views on Railway finance in this Council and I will therefore make only a passing reference to that subject to-day. The Government propose to spend £10 millions next year as Capital outlay on Railways. Notwithstanding what has happened this year, I trust our Railways have now established their character as a commercial success. That being so, as a mere matter of finance—apart from questions such as the

relative importance c and Irrigation—there can be no objection to Government spending whatever amount they think desirable on railway construction, provided they raise the whole of that amount strictly by borrowing. This year's experience no doubt emphasises the need for caution even in railway constructing out of borrowings, but I do not wish to dwell on that aspect of the question. The Government, however, have not in the past been satisfied with merely devoting loan-funds to railways. They have in addition drawn on every other available resource for the purpose, and thus, during the last few years, large surpluses, arising out of current revenues, which might have been devoted, with the utmost benefit to the people, to meeting non-recurring expenditure in connection with primary education, technical education, sanitation, and such other needs of the country, have been swallowed up by this eternal, unending, insatiable railway construction! Year after year I have complained of this misapplication of our surpluses in this Council but without avail. Two years ago it did appear as though Sir Edward Baker might move a little from his position in the matter, but last year he decisively closed the discussion, so far as he was concerned, by declaring that 'the Hon'ble Member and the Government are irreconcilably divided and can only agree to differ.' My Lord, I mention these things in the hope that my contention might meet with a better reception at the hands of the new Finance Member. Our finance is the finance of a poor country, whose resources are small and whose needs in several directions are pressing and various. It is true that the application of a portion of our revenues to Railway construction leads to a corresponding reduction of our unproductive debt, but that should be no object with the Government, seeing

what a mere trifle that, arising only about £37 millions sterling. The present year of a deficit, but the Hon'ble Member includes a small surplus, for which he budgets for next year, among the ways and means of meeting capital expenditure. This means that even if the expected surplus is not realised, the estimated amount will be devoted to railway construction out of cash balances. Again, as I have already pointed out, this year's deficit includes a sum of $\frac{3}{4}$ million under Railway charges, which represents the portion of annuity payments devoted to the redemption of capital. Thus our surpluses, whenever they are realised, are to go to railway construction, and in addition to that, a sum of $\frac{3}{4}$ million a year out of current revenues is to be devoted to the redemption of railway capital! My Lord, I protest respectfully but with all the emphasis at my command against this policy. It is, in the circumstances of India, unjust and unjustifiable, and even from the standpoint of sound financial administration, it is wholly unnecessary.

My Lord, this is probably the last budget debate at which observations of a general character, unconnected with questions of finance, will be permitted, and I would like to say a few words on the situation in the country generally before bringing my remarks to a close. The acute anxieties of the last year are now happily over, and the situation has undergone during the last three months a change so striking and decisive that it is almost difficult to recall the crisis through which we have passed. When the Council closed its last Calcutta session twelve months ago, there was in the air a feeling of vague uneasiness as at some impending disaster. And the country was soon startled and shocked by the appearance of anarchists on the scene. It is true their numbers were utterly insignifi-

cant, but the danger for a time at any rate the
men of the noble spirits in the country
would think more of the daring of these misguided young
men than of the wicked and detestable character of their
outrages. With such a danger confronting them, the
Government could not afford to sit idle or lose time. But
the drastic measures of repression which they found them-
selves driven to adopt, both to prevent the spread of
general disorder and to strike at the root of political
crime, deepened still further the gloom of the situation
and added to the prevailing feeling of despair in the
country. It was indeed a time of grave anxiety, for large
numbers of young men were daily drifting away farther
and farther from their allegiance to British rule, and the
whole conception of one's duty to the country was under-
going a rapid change in superficial minds. Happily, at this
critical juncture, the courage and statesmanship of Your
Lordship's Government and of the Secretary of State came
to our rescue, and the announcement of a large and gener-
ous scheme of reforms in December last at once acted like a
charm, and eased the tension of the situation. And to-
day the position, in spite of its undoubted difficulties, is
actually clearer and stronger than it has been for many
years past. A new hope is gladdening the hearts
of the people, and though certain causes of soreness exist,
the minds of the educated classes are steadily reverting to
their old faith in the higher purpose and character of
British rule. The appreciation of the supreme importance
of order for purposes of real progress is all the deeper and
more distinct for having experienced the shock and horror
of recent outrages. And on every side there are indications
that a period of closer and more cordial relations between
the authorities and the people is about to begin.

My Lord, I have said ^{origin} in causes of soreness still exist. Of these one of ^{APPEAL} ^{year} ^{is the} ^{deport} ation of nine Bengali gentlemen ^{of} the Regulation of 1818 in December last. I have no wish to go on the present occasion into the general objections that may reasonably be urged against a resort to the extraordinary powers-conferred by the Regulation. Those objections are well understood and there is no satisfactory answer to them. I feel bound, however, to say one thing. In the course of a recent debate in the House of Commons on the subject, the Under-Secretary of State for India stated that these nine men had been deported because it was believed that among them were 'some leading instigators of crime.' It is true that Mr. Buchanan did not say that every one of the nine gentlemen was a leading instigator of crime. But as none of them was expressly excluded from the description and as all nine have been deported, the suspicion of being an instigator of crime must attach to each one of them. Now two of these nine men I know very well personally—Babu Krishna Kumar Mitter and Babu Aswini Kumar Dutt. They are undoubtedly persons of the highest character and deep piety, and it is incredible that either of them can have been even most remotely connected with crime. I recognise that, in times of grave emergency, the Government have to decide quickly and act promptly, taking all risks—even the risk of being in the wrong. But it is now more than three months since the deportations took place. The situation throughout the country is rapidly improving. May we not hope that the Government will now reconsider this matter and take the earliest opportunity to restore these men to their homes? It will be an act of bare justice to the individuals and will give great satisfaction throughout the country.

My Lord, certain members of the reform scheme have been looked upon with keen and even excited controversy. Of these the greatest opposition has been naturally encountered by the proposal to appoint an Indian member to Your Lordship's Executive Council. The question, however, is now laid at rest by the announcement made five days ago that His Majesty the King-Emperor has been pleased to approve the appointment of Mr. S. P. Sinha to succeed Sir Erle Richards as Law Member of the Council. My Lord, the day when this announcement was made will always be remembered as a red letter day in the history of British rule in India. A momentous step has been taken and a most signal vindication offered to the people of this country of the noble pledges contained in the late Queen's gracious Proclamation. I am confident that the Government will have no cause to regret what they have done. The trust and courage which they have displayed will be repaid a hundredfold in the new ties of attachment and gratitude which will bind the country to British rule, and the administration will be all the stronger for coming closer to the hearts of the people. The opposition to Clause III of the new Reform Bill has come principally from certain retired administrators and civilians, whose connection with India terminated some time ago and who have not been in touch with the rapid changes of thought and sentiment which have taken place in the country during the last three years. Now that the tension has relaxed, these gentlemen would evidently like to part with as little real power as possible, and they have not hesitated to get the clause rejected by the House of Lords in the face of the opinion of the Government of India and the Secretary of State. Their action has caused deep and widespread disappointment throughout the country, for

there is no doubt that ~~any~~ ^{any} ~~in~~ ⁱⁿ ~~cau~~ ^{cau} ~~tion~~ ^{tion} by a Council is a higher form of Government ~~ear us is the demand~~ the proposed change is needed to meet satisfactorily the altered requirements of the situation. There is room yet for the hope that the clause will in the end be restored after all, and it will be worse than unfortunate if this hope is not realised, for that will mean that the proposed scheme of reform has been put back in a most important particular. The third question connected with the reforms, round which controversy has raged for some time, is that of Mahomedan representation. As this question is arousing a considerable amount of feeling in the country, I would like to state briefly my own view of the matter. That view is practically the same as that of the Government of India, and I have embodied it in the note which I had the honour to submit to the Secretary of State last September on the subject of constitutional reforms. I think the most reasonable plan is first to throw open a substantial minimum of seats to election on a territorial basis, in which all qualified to vote should take part without distinction of race or creed. And then supplementary elections should be held for minorities which numerically or otherwise are important enough to need special representation, and these should be confined to members of the minorities only. What minorities in the different Provinces should have special representation and how many seats should be assigned to each minority must depend upon the special circumstances of each Province. It will not do to be guided in the matter by a strict regard for numbers only; for it may be necessary at times to give special representation to a minority so small as not to be entitled even to a single member on a strict numerical basis. This was practically the plan advocated

by the Government of India. In their despatch, as I understand, the Government of India of joint Electoral Colleges has been abandoned, and I earnestly trust that it will be carried out. The great advantage of this plan is that it provides for composite action by all communities up to a certain point, and then it prevents injustice, in practical operation, to minorities by giving them special supplementary electorates of their own. My Lord, it has been urged by some of my countrymen that any special separate treatment of minorities militates against the idea of the union of all communities in public matters. Such union is no doubt the goal towards which we have to strive, but it cannot be denied that it does not exist in the country to-day, and it is no use proceeding as though it existed when in reality it does not. Not only this, but unless the feeling of soreness in the minds of minorities is removed by special separate supplementary treatment such as is proposed by the Government of India, the advance towards a real union will be retarded rather than promoted. One thing, however, must here be said. The idea of two watertight compartments for Hindus and Mahomedans separately will not promote the best interests of the country, and moreover it is really not feasible. For there cannot be only two such compartments, unless all minorities other than Mahomedan are to be joined to the Hindus, in which case the division will practically be Mahomedans and non-Mahomedans. Further, where only one member is to be returned by a whole province, as in the case of landholders or the non-official members of some of the Provincial Councils, any division of those who are qualified to vote into two or more groups becomes impossible. The objection has been raised that, under the plan of the Government of India, members of minorities will vote in

general election as also in conjunction supplementary election. But the matter must be considered in a practical spirit. The aim is not to secure scientific accuracy of method, but to obtain substantially just and satisfactory results. Let it be remembered that a member more or less for either the Hindus or the Mahomedans does not really much matter. The existence of the Government is not to depend upon the votes of non-official members, neither are its members to be drawn from those who are in a majority in the Councils. Let it also be remembered that the most important part of the proposed reform of Legislative Councils is the power that will be conferred on members to raise discussions on administrative questions in the Council, and for this purpose the exact proportion of members returned by any community is a matter of small importance. My Lord, I respectfully suggest that the Government should take an early opportunity to make a clear and firm declaration on this subject, calculated to allay apprehensions and give reasonable satisfaction to all parties. It is necessary that the new arrangements should be inaugurated with the utmost goodwill from all sections of the people. I earnestly appeal to my countrymen—both Hindu and Mahomedan—to exercise special mutual forbearance at this juncture and meet each other half way. We owe this to ourselves and to our country's future; we owe it also to those who are granting us these important measures of reform.

My Lord, in this connection, may I offer a word of personal explanation on this occasion? I see from the papers that have arrived by the last English mail that the note on constitutional reforms, which I submitted to the Secretary of State in September last, and to which I have

already referred to has come in for a good deal of comment in London. Now, what I want to say about that note is this. There was nothing surreptitious or private about it. It was submitted by me to the Secretary of State for India in my capacity as a representative of the Bombay Presidency Association, publicly deputed by that body to proceed to England and lay their views before the authorities there on the proposed reforms. The note was only a summary—with very slight modifications, suggested by the discussions I had with a number of public men in England on the subject—of the views which the Association had already laid before the Government of India in an exhaustive memorial and before the Decentralisation Commission in another memorandum. On my return to India, I noticed attempts made in certain quarters to rouse Mahomedan feeling against the reform scheme, as outlined in Lord Morley's despatch, by representing it as a result of Hindu intrigue in London. After a time my name was openly mentioned in that connection. As the line I had taken on the Mahomedan question was practically the same as that of the Government of India, I thought and several of my friends agreed with me in this view that the best way to counteract this mischief, which threatened to grow quite serious, was to publish the views which I had laid before the Secretary of State. Before communicating the note to the Press, however, I sent a copy to Sir Herbert Risley, requesting him to include it, if possible, among any 'fresh papers on reforms that the Government might issue—a request that he at once and very courteously complied with. I took this course because it was thought necessary in the best interests of our public life that no room should be left for the allegations of intrigue against Mahomedans, which were being openly

and unscrupulously made. There was no thought of suggesting that it was the note which influenced the Secretary of State in his decision, and no such suggestion has ever been made by me by word or by whisper. As regards the attacks made on the Indian Councils Bill by the opponents of that measure on the score of its supposed connection with my note, they are of course the usual amenities of party warfare in England. All the same, they are most unfair. Any one who reads the despatches carefully will see that nine-tenths of the scheme, even in its final form, is really the Government of India's. And even in the few points in which the Secretary of State has gone beyond the Government of India's proposals, he had strong support of an official character behind him—a support that was bound to be far more influential than a note containing merely the views of a public body in India. Thus we all know that in regard to the appointment of an Indian to the Viceroy's Executive Council, had it not been for Your Lordship's strong personal interest in the matter, that reform would never have come. As regards Provincial Executive Councils, it is really the Decentralisation Commission that has pushed the question to the front. And in the remaining matters, it is known that the Secretary of State has acted on the recommendations of Lord Macdonnell and his colleagues on the Special Committee. It is true that some of the reforms, which Indian public men have from time to time been advocating, have found a place in the scheme finally adopted by Government. But that only shows that our proposals were not so very unreasonable after all, and that when they come to be officially examined in a serious spirit they were found to be quite practicable. The fact is that the path of constitutional reform in India is really extremely

narrow, and those who wish to advance along that path have no choice. The Government see in view more or less the same stages and almost the same steps. To safeguard the essential elements of British supremacy, to associate the people of the country more largely with the administration of their affairs, and to do this cautiously, impartially and, at the same time, in accordance with ideas and aspirations which Western education has fostered in the land—these factors of the problem do not leave a wide margin for differences of opinion except in regard to minor details. Of course, those who do not want to advance do differ fundamentally from those who do; also among those who want to advance there may be differences of opinion as to how many steps may be taken at a time. But there is not much room for any striking originality or novelty of solution in determining the path. Moreover, the interests involved are too large and too serious to permit of the authorities going in search of originality for mere originality's sake.

These controversies, great and small, will however soon come to an end, and before long they will probably pass out of men's minds. But the reforms that will be inaugurated will remain, and they will open a new and important chapter to the people of this country. As far as one may foresee, the chief characteristic of the next few years will be a greater consideration for public opinion on the part of the authorities, a larger realisation of the difficulties of the administration on the part of the people, and a closer co-operation between the two sides in promoting the moral and material interests of the country. It is idle to expect that, with the introduction of the reforms, all existing misunderstandings between the Government and the people

will vanish ; and it will be idle to imagine that, as time rolls on, no new occasions will arise, or no fresh misunderstandings crop up. But there is no doubt that when the proposed reforms are completed, the administrative arrangements of the country will have been brought into reasonable harmony with the present requirements of the people ; and as regards the future, we must be content to let it take care of itself. I think it is safe to say that when, in later times, the eyes of my countrymen turn back to these days, they will see two figures standing apart from the rest. One will be Your Excellency and the other Lord Morley. My Lord, I am at a disadvantage in speaking of Your Lordship in your presence ; but the occasion is exceptional, and I trust the Council will forgive me for any apparent breach of propriety. The country owes a deep debt of gratitude to Your Lordship, both personally and as the head of the Government of India, for these reforms. You had not been many months in the land, before you recognised frankly and publicly that new aspirations were stirring in the hearts of the people, that they were part of a larger movement common to the whole East, and that it was necessary to satisfy them to a reasonable extent by giving the people a larger share in the administration of affairs. And throughout, your purpose in this matter has never wavered. Your Lordship started the first deliberations in your Council on the subject. The tentative proposals published in 1907, which had caused great dissatisfaction, were revised and recast under your own direction, and nine-tenths of the scheme in its final form is that of the Government of India. But this is not all. The throwing open of your Executive Council to Indians—which, in some respects, is the most notable part of the reforms—is principally Your

Lordship's work. Serene, untroubled, supremely modest, Your Lordship has gone on the work of reform with noble courage amidst extraordinary difficulties, and I am sure your greatest satisfaction will be that when you lay down the reins of office, you will leave to your successor a task far less anxious than the one you inherited. My Lord among the many great men who have held office as Governor-General in this country, there are three names which the people cherish above all others—the names of Bentinck, Canning and Ripon. I venture to predict, both as a student of Indian history and as one who has taken some part, however humble, in the public life of the country for the last twenty years, that it is in the company of these Viceroys that Your Lordship's name will go down to posterity in India. Of Lord Morley, I will say only this. It would have been a sad thing for humanity if his tenure of office, as Secretary of State for India, had produced nothing more than deportations and Press laws. One, who has taught so highly, and to whose name such great honour attaches even in distant lands, cannot afford to be 'as other men are—a slave of routine and a victim of circumstance.' However, his great Liberalism has been amply and strikingly vindicated even in so difficult a position as that of the head of a vast bureaucracy, and the temporary misunderstandings of friends and the unworthy taunts of opponents will not have been borne in vain, when the full results of the present measures of reform show themselves in this country. That passage in his speech in the House of Lords, foreshadowing Mr. Sinha's appointment, with its phrase 'one of the King's equal subjects,' has touched a chord in Indian hearts, which will keep vibrating for some time. It is a passage that will live in the history of this country—in any case it will remain engraved

on the hearts of the people. Lord, I sincerely believe that Your Lordship and Lord Curzon have, between you, saved India from drifting towards what cannot be described by any other name than chaos. For, however strong a Government may be, repression never can put down the aspirations of a people and never will.



BUDGET SPEECH, 1910.

[The debate on the Budget for the year 1910-11 took place under the new rules of the Council on 29th March 1910, His Excellency Lord Minto being in the chair. In the course of the debate, Mr. Gokhale made the following speech :—]

My Lord, when the Tariff Bill was under discussion in this Council last month, I took the opportunity to offer some general criticism on the Financial Statement which had then been laid before us by my Hon'ble friend the Finance Minister. In the course of that criticism, I had ventured to observe that, in my opinion, the estimates of revenue were under certain heads under-estimates. In reply to that, my Hon'ble friend Mr. Meston told us that it was not usual for any one in this Council to question the accuracy of the figures supplied by the Finance Department. My Lord, I confess I was surprised to hear that statement. My Hon'ble friend will pardon me, if I say that my experience of this Council is much longer than his, and it is not only not correct to say that it is unusual to question the accuracy of these figures, but I should go further and say that the reverse of that statement will be the correct one. It is true that during the last four or five years, no occasion has arisen to question the accuracy of the figures supplied by the Finance Department, but if my Hon'ble friend will turn to the debates of this Council between 1902 and 1905, he will find that every year, a complaint was made that the estimates of revenue were under-estimates. During the time of Sir Edward Law no answer was received to this complaint, but in 1905, when His Honour Sir Edward Baker became Finance Minister, he took

notice of it and admitted its substantial correctness. If the Hon'ble Member will turn to the Financial Statement of 1905-1906, he will find there a paragraph, called 'Comparison of Estimates with Actuals,' in which Sir Edward Baker observes as follows :—

It is sometimes made a reproach against Government that their estimates of revenue and expenditure are wanting in accuracy, and that the actual results, when made up at the end of the year, are apt to differ somewhat widely from those forecasted in the budget at its beginning. Latterly this charge has taken the form of a suggestion that we habitually under-estimate our revenue and over-estimate our expenditure.

Then after comparing the practice of England and several of the continental countries, Sir Edward Baker goes on to admit that there was much in that charge that was true. He naturally says all that he can in favour of the old practice, and then proceeds :—

I would not, however, be understood to contend that the criticisms to which I have referred are wholly without justification. That would be an over-statement of the case. Even when allowance is made for the disturbing elements to which allusion has been made above, the figures in the statement in paragraph 52 show that during the last three years the revenue has exceeded the estimate by more than these causes fairly explain. This feature probably has its origin in the former uncertainty of sterling exchange. So long as all growth of revenue and the fruits of all retrenchment were liable to be swallowed up by a fall in exchange, it was common prudence to frame the estimates in the most cautious manner, and to take no credit for developments of revenue until they were absolutely assured. When this factor was eliminated, traditions of excessive caution remained, and due allowance was not always made in the estimates for the normal expansion of the growing heads of revenue.

Here then is an admission by a former Finance Minister that for a number of years, it was the habitual practice of the Finance Department to under-estimate revenue owing to causes which have been explained by him. My Lord, this is in reality a small matter ; but the statement made by the Hon'ble Mr. Meston, if allowed to remain uncontradicted, might cause serious inconvenience

hereafter, because objection might again be taken to any suggestion as to under-estimates or over-estimates. I believe my Hon'ble friend mistook what is a rule for the new Council for the practice of this Council in the past. There is undoubtedly a rule among the new rules that in framing resolutions that a member wants to move, the accuracy of the figures supplied by the Finance Department shall not be questioned. That applies, however, only to resolutions and not to any general criticism of the financial estimates that may be offered.

My Lord, this year's budget has come upon us all as an unpleasant surprise. The feeling is like that of a person who is walking securely on the ground, and, all of a sudden, discovers a yawning gulf before him. After a great number of years—after ten years—of consecutive surpluses, we first came to a year of a heavy deficit, due, as we then understood, to famine. Then there was what appeared to be a normal year, and we have now another normal year in which, however, extra taxation has been imposed on the people. This circumstance, namely, the levying of extra taxation in a normal year, suggests that something is wrong with the financial position of the country, and in any case, it suggests an inquiry. I have given some attention to this question, and I find that the results are such as to cause apprehension. My Lord, for a correct understanding of this question it is necessary to pass under brief review the finances of the ten years from 1898 to 1908, because our series of surpluses began with the year 1898. From that year we had ten consecutive surpluses ending with the year 1908. Let us, therefore, see what were the special features of the financial position during that time, and what use was made of the prosperous finances of those years by the Government.

It will be found that there were four distinctive features of this period. The first was that there was a large saving in the cost of the home remittances of the Government, owing to exchange having established itself at the steady rate of 1s. 4d. to the rupee in the year 1898. The second was an improvement in the opium revenue, which, before 1898, had been steadily falling for a number of years. The third was the expansion, the more than average expansion, of the ordinary revenues of the country. And the fourth was an improvement in the railway revenues of the Government. These four causes combined to give the Government large surpluses, and the Government utilised the position in the first place to remit a certain amount of taxation and then to sanction a large amount of increased expenditure in various directions.

I would respectfully invite the Council to consider this matter carefully. It has been said by some critics that the present difficulties of Government have arisen from the fact that during those fat years Government remitted taxation which should not have been remitted. Now, my Lord, I must protest strongly against this view. If the Council will look at the amount of taxation remitted during these ten years, it will find that the total of remissions came to about four millions sterling, or six crores of rupees. But owing to the artificial rise in the rupee, the savings of the Government on their home remittances also had come to about five and a half crores of rupees. What had happened was this. The Government had gone on adding tax after tax in the period preceding the year 1898, so as to secure a balance between revenue and expenditure and even a surplus, no matter what the level of exchange was, and thus even when exchange was at its lowest, as it was in the year 1894,

namely, at 13*d.* to the rupee, the Government were able to show not only an equilibrium between revenue and expenditure, but also a small margin as surplus. As the exchange value of the rupee steadily went up, the level of taxation remaining the same, it meant a steadily increasing surplus at the disposal of the Government. By the year 1898 exchange established itself firmly in the vicinity of 16*d.* to the rupee. Now, a rise of 3*d.* in the value of the rupee meant a saving of 5½ crores in the cost of home remittances. Therefore, when the Government of India remitted taxation to the amount of 6 crores, they practically gave back to the tax-payers only what they had saved on their home remittances. The remissions were thus not taken out of their ordinary revenue: they merely represented the savings effected in the cost of the home remittances. We may, therefore, put aside these two items, namely, the savings on the home remittances, and the amount of remissions granted to the people, during the period we are considering. So much for remissions of taxation. Let us now consider the amount of increased expenditure sanctioned in different directions. My Lord, the first six years of this period were a period of 'efficiency' or, as one of my friends has said efficiency with a capital 'E.' The result was that expenditure was pushed up by leaps and bounds in various directions. A comparison of the expenditure for 1908-09, for which complete figures are available, with the year 1898-99 will reveal certain startling results. It will be found, for instance, that the civil expenditure of the country grew during this period by about 16 crores, including in such expenditure the charges of collection, the salaries and expenses of civil departments, miscellaneous civil charges and civil works. I may mention that from the charges of

collection, I omit, for obvious reasons, opium and provincial rates, as also refunds and drawbacks and compensations and assignments. The figures for 1908-09, however, include the expenditure for Berar, whereas those for 1898-99 do not. Even then we find that the increase in civil expenditure comes to about 15 crores, the expenditure having risen from about 29 crores to over 44 crores. My Lord, I venture to think that this is an amazing increase. If the Council will compare this increase with the growth of expenditure during the previous ten years, as also with the five years, 1881 to 1886, the contrast will appear most striking. The Council may remember that in 1886, Lord Dufferin's Government found itself in a position somewhat similar to that which the Government of India occupy to-day. From 1881 to 1885 the country had enjoyed what may be called financial prosperity. There was remission of taxation in consequence and also increased expenditure and the result was that when lean years came in 1886 and the frontier policy of the Government necessitated heavy additional military expenditure, Lord Dufferin found himself driven to appoint a committee to carefully inquire into the growth of expenditure; and one of the reasons adduced for the appointment of that committee was that the increase in civil expenditure had been excessive during the five years which had preceded His Lordship's administration. Now the increase in civil expenditure during those five years had been only about 2½ crores, the expenditure rising from about 22 crores to about 24½ crores. And yet this increase was regarded by Lord Dufferin as excessive. Judging by that standard, I wonder, my Lord, what we are to think of the increase of 15 crores in the ten years from 1898 to 1908! Again, taking the period 1888-1898, what do we find? I do not

wish to take the Council through a mass of figures, but I will only state the results of my calculations, giving this assurance to the Council, that I have taken every care I could to compare likes with likes only. Taking the period of ten years immediately preceding 1898, we find that the increase in civil expenditure was from about $24\frac{1}{8}$ crores to about $29\frac{1}{4}$ crores, or about five crores in ten years against 15 crores in the ten years following 1898. We thus have the following results: if the increase during 1898 to 1908 had been at the same rate as during the five years 1881-1886, when in Lord Dufferin's opinion the civil expenditure had grown enormously it should not have been more than $4\frac{1}{2}$ crores! Had the rate continued to be what it had been during the ten years preceding 1898, the increase would not have been more than about 5 crores! But instead of these figures, we have here an increase of no less than 15 crores! This shows what the era of surpluses has done to push up civil expenditure! Turning next to military charges during this period, we find the same kind of growth. From 1888 to 1898 the military charges grew by about 3 crores a year or from $22\frac{1}{4}$ crores to 25 crores; but from 1898 to 1908 they rose by about $5\frac{1}{4}$ crores a year, that is, from $25\frac{1}{4}$ crores to about 31 crores. The whole position therefore is this, that during the ten years 1898 to 1908, while six crores were remitted in taxation, the annual civil expenditure was allowed to grow by 15 crores and about 5 crores of additional expenditure was incurred every year in connection with the army; this gives an increase of about 20 crores in civil and military expenditure in the course of ten years, or an average growth of 2 crores a year. My Lord, every one must admit that this is a phenomenal increase, considering that the normal growth of revenue ordinarily has

been estimated by a previous Finance Minister at only about one crore and twenty lakhs. I think these figures suggested—to my mind they imperatively suggest—the necessity for an inquiry into the growth of civil and military expenditure during the last ten years. This need of inquiry is all the greater because there is a serious situation in front of us now in connection with opium revenue. We all know that the opium revenue is doomed, that it will be extinguished altogether, if things go on at the present rate, in the year 1917, i.e., in about seven years from now. In this connection I must express my dissent from my Hon'ble friend Mr. Chitnavis, who has urged that we should ask the Imperial Government to make a contribution to the Indian Exchequer in order to compensate us for the loss of opium revenue. My Lord, I do not think that it will be a dignified course on our part to ask for such a contribution. It is we who have financially benefited in the past by this opium revenue, and it is we who must be prepared to bear this loss when the opium revenue is extinguished, seeing that the stain that will then be wiped away will be wiped away from us. We must face the situation ourselves, and I think if only the Government will be sufficiently careful, it is possible to do, and even do well, with a diminishing opium revenue. But one thing it is now absolutely necessary to do in connection with this opium revenue, and that is that from next year Government should take into account only a steadily diminishing figure as opium revenue for recurring purposes. What I mean is this—the whole of this revenue, which for next year is taken at about $5\frac{1}{2}$ crores net, has to be extinguished in seven years. The Finance Department should therefore take, as ordinary revenue, only a descending series of figures, terminating in zero in seven

years, for each succeeding year, and all excess over that figure should be treated as a windfall or extraordinary revenue to be devoted to extraordinary purposes, such as non-recurring expenditure on education, sanitation, and so forth. My Lord, I submit this course should have been adopted three years ago, so that the burden of a diminishing revenue should have been evenly distributed and the great need of retrenchment realised in time. I trust the Council will remember that when His Honour Sir Edward Baker enunciated the new opium policy of the Government of India three years ago, he assured the Council that the sacrifice could be made without a resort to extra taxation. That meant that the steadily widening gap made by a diminution in opium revenue would be met by economies, unless the growth of revenue under other heads sufficed for the purpose. And yet, here we have my Hon'ble friend, the Finance Minister, coming to the Council in a normal year with proposals for additional taxation on the ground of a diminishing opium revenue! My Lord, recent discussions have made it abundantly clear that the course I am urging is necessary, if a policy of steady retrenchment is to be followed and a sudden financial crisis to be averted. What is happening at present is this: owing to the reduction in the number of chests, the price per chest is rising. Probably this will go on for some time, and we may even reach four thousand rupees per chest. So for some time, the rise in prices will make up, and perhaps even more than make up, for the reduction in the number of chests, with the result that during the next two or three years the Government may not necessarily get a smaller amount as their opium revenue than at present; but when the maximum price is reached, then there will be a sudden and precipitate drop,

and in the course of three or four years following the Government will have to be prepared to face the extinction of the whole of this revenue of about $5\frac{1}{2}$ crores. And it is easy to foresee what will then happen. If all of a sudden, say, 2 crores were to be lost in any particular year, I am quite sure that the Finance Minister will again urge the same plea that he has urged this year, that it is not possible to arrange for economies sufficient to cover such a loss at once. And then fresh taxation will again be imposed upon the people as was done this year. Unless, therefore, Government take credit only for a steadily diminishing opium revenue and arrange to keep all excess above that figure as a windfall or extraordinary revenue to be devoted to non-recurring expenditure, I am quite sure they will not feel the same incentive to retrenchment, and the results will be deplorable.

My Lord, I have urged an early, I would even say an immediate, inquiry into the growth of expenditure on two grounds—first, because there has been this vast growth in civil and military expenditure, and secondly, because the opium revenue is to disappear in seven years. I think the Government has no choice now but to pursue a policy of rigorous retrenchment, and for that a necessary preliminary is an inquiry such as I have suggested. But while the present high scale of charges on both civil and military administration require to be cut down, an increase, and even a large increase, of expenditure is necessary on objects intimately connected with the real well-being of the people—such as primary and technical education, sanitation and relief of agricultural indebtedness. And if retrenchment will not produce the money required for these objects, I for one shall not shrink from advocating additional taxation for the purpose. Only, the resources

of retrenchment must first be exhausted, before those of additional taxation are drawn up. My Lord, we feel strongly that the present expenditure on the objects I have mentioned is most inadequate, and unless the Government are prepared to spend far larger sums in these directions, the discontent which we see on all sides at present will not in reality diminish. This question is to us a question of the most vital importance, and it is only in the measure in which the Government deal with it that they will have identified themselves with our best interests.



BUDGET SPEECH, 1911.

[The Council met on the 27th March 1911 for the final debate on the Budget, His Excellency Lord Hardinge presiding, Mr. Gokhale made the following speech :—]

My Lord, I understand that my Hon'ble friend Mr. Gates intends to criticise certain remarks on the financial past of Burma made by me the other day in the course of the debate on my resolution about the growth of public expenditure in this country. In view of that I had meant to wait till the Hon'ble Member had spoken before rising to speak. As, however, the Hon'ble Member wishes to have the last word in this matter and I do not particularly mind his having the last word, I am quite willing to let him have his way, especially as he has very courteously given me an idea of what he proposes to say and has also given me his permission to reply to his criticism by anticipation. Before I avail myself of that permission, however, I think I should refresh the memory of the Council in connection with the point at issue between the Hon'ble Member and myself. My Lord, the Council will remember that when I moved my resolution urging an inquiry into the growth of public expenditure last January, the Hon'ble Mr. Gates attacked my proposal in a speech which may still be in the recollection of this Council, and in the course of that speech he described the Budget of Bombay as a bloated Budget. When it came to my turn to reply, I indulged in a retort—a retort obvious to all who knew the financial history of Upper Burma: I said that if the Budget of Bombay was a bloated Budget, in any case we paid every penny of it; that when Upper Burma, which had lived for nearly 20 years on other Provinces, refunded

to the Government of India what it had drawn from other Provinces, then it would be time for the representative of Burma to speak of other peoples' bloated Budgets. Now, my Lord, the first observation I would like to make in this matter is this—that I quite recognise that the Hon'ble Mr. Gates only indulged in a sort of bantering expression when he spoke of the bloated Budget of Bombay; but then my retort too was a bantering retort—intended at the time to be a mere debating retort and nothing more. However, like the bantering retorts, which have an element of truth in them, my retort has gone home, and I find some feeling exhibited in the matter even in Rangoon—I have seen articles in Rangoon papers on the subject. As this has happened, I am quite prepared to put all banter aside and to take the question up as a serious question to be argued in a serious spirit, and I will argue it in that way to-day. So far as the proposition that I made last January is concerned, *viz.*, that Upper Burma was not, for nearly 20 years, able to pay its way, that, of course, is a historical fact; any one who knows the financial past of Upper Burma knows that. Upper Burma was annexed in 1886. From 1886 to 1897—a period of eleven years—the accounts of Upper Burma were kept separate, and during all these years, as the Hon'ble Mr. Gates himself will admit, Upper Burma showed a heavy deficit year after year. It was as high as over 2 crores of rupees for the first year, and for the last year it was nearly a crore—about 95 lakhs. Then the accounts of Upper and Lower Burma were put together, and, of course, after that we have no direct means of knowing how much Upper Burma cost the Government of India. But there is plenty of indirect evidence to show that the deficits of Upper Burma continued for about 7 or 8 years more. That means that

if the accounts of Upper Burma had continued to be kept separate, it would have been 18 or 19 years before Upper Burma was able to make the two ends meet. So far, therefore, as my actual proposition is concerned, it is absolutely unassailable. The Hon'ble Member, however, may say, 'Oh! you must not take part of a Province like this! And Upper Burma is only a part of the whole Province of Burma!' But even before Upper Burma was annexed, Lower Burma was not paying its way. The utmost that may be conceded for the sake of argument is that Lower Burma was just paying its way when Upper Burma was annexed; still when Upper Burma was joined to Lower Burma, a deficit ensued, and that deficit had to be made good by the Government of India. Therefore, my position is not shaken even if you put the accounts of Lower Burma with those of Upper Burma. But, my Lord, my Hon'ble friend, the non-official Member from Burma, Maung Bah Too, has most unexpectedly come to my assistance in this matter. He asked for a return the other day, and only 4 or 5 days ago a return was placed by the Government on this table, which is a crushing indictment of the financial position of Burma, even taken as a whole. The return is a Government return, and I shall be glad to know what the Hon'ble Mr. Gates has to say to it. The return shows that from 1860 up to 1903-04—the year in which the return was prepared—the whole of Burma, Lower and Upper, taken together, had not been paying its way. It was not therefore only Upper Burma, for a period of nearly 20 years, but the whole of Burma for more than 40 years that was not paying its way—I do not know how it has been since; probably things have been slightly better, but they cannot be very different. I am therefore prepared to modify my original proposition

that Upper Burma had not paid its way for nearly 20 years and say that the whole of Burma had not paid its way for more than 40 years. If that will please the Hon'ble Member, he may have this proposition—this time made not in banter, but in sober seriousness!

But, my Lord, that is not all. This return, which was prepared by the Accountant-General of Rangoon, tries to give every advantage to Burma in the calculation. For instance, Burma is charged, not with its fair share of Military expenditure, but only with the cost of the troops actually located in Burma, and that is really very small compared with the whole Military expenditure of India. Then, as to non-effective charges in connection with the Army, Burma is charged, not with the usual percentage of 42, but only with a percentage of 33. There are other charges also made on a smaller scale than in the case of the rest of India; and finally there is this significant omission here. The return says that the deficits, shown in the table appended, for more than 40 years, are exclusive of certain items which have not been taken into account—items for which Burma should be charged, but has not been charged, in this calculation. Thus, Burma is not charged in this return with its share for Civil and Public Works pension and furlough allowances in India; Burma is not charged with its share of the capital cost in connection with telegraphs; Burma is not charged with any contribution to the Royal Navy and Royal Indian Marine; finally, Burma is even not charged for her fair share of the Central Government in India. Exclusive of all these charges and giving every advantage to Burma, this return, prepared by the Accountant-General of Rangoon, and laid by the Government of India on the table of this Council, shows that for more than 40 years the whole of Burma

was not paying its way ; and as a result we find that Burma is indebted to-day to India to the tune of about 62 crores of rupees. The other day I pointed out that the unproductive debt of India is 37 millions or about 55 or 56 crores of rupees. If Burma had not been with us, we should have had no unproductive debt to-day and have been 6 or 7 crores to the good. It may be contended by the Hon'ble Member that it is not fair to begin the account, as this return does, with the debt charges, due on account of the First and Second Burmese Wars. But it must be remembered that that has been the practice of the Government of India in connection with its own accounts in this country. England has never borne any part of the cost of the wars or of the measures that were necessary to put down the Mutiny, or any other debt that has been raised in this country. India has paid the whole cost of all the wars ; India has paid the whole cost of putting down the Mutiny ; India has borne the whole responsibility for every debt that has been raised in connection with this country. If Burma wants to be considered separately, then Burma must also be prepared to undergo the same treatment ; and that treatment has been applied to Burma by the Accountant-General of Rangoon, with results well worth the study of the Hon'ble Member.

There is one thing more I want to say in this connection. Taking the positions of Burma and Bombay, even to-day, what do we find ? It is usual to apply two tests in such comparisons, the test of population and the test of area, to judge as to what is the burden of taxation in a Province. I think both tests are largely fallacious, but if these tests have to be applied, they must be differently to different heads of revenue. For land-revenue and

forests, I think, the proper test to apply is the area test ; for stamps, registration, assessed taxes and excise, on the other hand, the proper test to apply is the test per head. Applying the tests in this way, I find that Bombay pays per head for assessed taxes, stamps, registration, and excise, Re. 1-9-10 per head, whereas Burma pays Re. 1-6-10 per head. As regards land-revenue and forests, I find that Bombay pays Re. 0-15-3 per square mile, whereas Burma pays Re. 0-13-3, and this in spite of the fact that Bombay is largely handicapped by Sind. Thus, even omitting salt and customs, Bombay taxation is higher than that of Burma.

I will now pass on to offer a few observations on the Financial statement which the Hon'ble the Finance Minister has laid before this Council. My Lord, the most interesting portion of the Financial Statement is that which deals with the question of Provincial finance. Undoubtedly a very important step forward has been taken and the Hon'ble Member is entitled to speak with legitimate pride of what has been done. When, however, he describes these new Provincial settlements as permanent, a question arises as to whether the use of the term is justified. Looking at the new settlements in a large way, we find that there are four special characteristics which may be noted. The first is that there will be in future a withdrawal of all minute control over the Budgets of Provincial Governments. The second is that the doctrine of contractual responsibility will be enforced rigidly in future in the case of all Provincial Governments. The third is that, as far as possible, Provincial revenues will be derived from portions of growing revenues and that large fixed allotments will not be made hereafter to the Provinces. And the fourth is that

a further step has been taken in the direction of the provincialization of certain revenues, forests in all cases, and excise in the case of Bombay and Eastern Bengal and Assam. Now, these are all very important features, all four of them. But even so, I do not think that the new settlements are likely to be any more permanent than the previous settlements were. Let us consider the matter in some detail.

As regards the withdrawal of minute control over the budgets of Provincial Governments, I think everybody will congratulate the Finance Department on what it has done. It is a very important change, and I think that it will largely free the Local Governments from that unnecessary and vexatious interference of which they had reason to complain. I think this, in some respects, is the most important change which the new settlements make, and it is sure to be attended with excellent results. As regards the doctrine of contractual responsibility, that of course has always been there; and simply because the Hon'ble Member expresses himself with some emphasis on the subjects, it does not mean that it is a new doctrine, though I admit that if he is able to ensure the Local Governments not budgetting for a deficit or borrowing from him whenever their balances fall below the minimum, I think that will be a departure. I do not know, however, how far it will be possible to enforce this in practice. I have my doubts about this. The third change is, no doubt, very important; but the principle of it had already been accepted, and we have now only a further advance in giving the Local Governments a larger proportion of the growing revenues. The advance, however, is so substantial as to reverse the old practice of making fixed allotments to Provincial Governments. In place of that, we have now

the Imperial Government receiving a next fixed allotment from the Provincial Governments taken together, and that is a move in the right direction. The last change is also a further extension of a principle already accepted, because registration had already been wholly provincialised, and what the Finance Department has now done is to provincialise forests in all cases and excise in some cases, which is only extending a principle, already accepted, still further.

While, therefore, all the four changes are important there is nothing in them except in the first—that which relieves the Local Governments of all minute control—which is quite new, though in each case there is a substantial advance. But my fear, my Lord, is that these settlements will not prove any more permanent than the last quasi-permanent settlements, or than even the old quinquennial settlements; I fear that the whole position is such that there cannot be any permanent settlements at the present stage between the Provincial Governments and the Government of India. The root of the mischief lies in this. The Government of India has at its disposal too large a share of growing revenues, and its expenditure is principally confined to the Army and to a few services which are directly under it. The result is that while there is a continuous tendency to spend more and more on the Army, after those claims are satisfied, large surpluses accrue to the Government of India; and when these surpluses are realised, the Government doles out a portion of them to the Provinces. Now, the Provinces habitually expect these doles and the expectation of the doles is thoroughly demoralising. If therefore you want any element of permanence in your Provincial contracts, it is necessary, first of all, to see to it that the Government of India has no large surpluses to dole out to the Provinces, and this can

only be ensured by reducing the resources which are at present at the disposal of the Government of India. What I propose, my Lord, is that instead of receiving its whole income from growing revenues, the Government of India should receive large fixed contributions from Provincial Governments, say, up to about one-third or one-fourth of its revenues, the other two-thirds or three-fourths being derived from growing resources. I think in this matter it is desirable to examine the practice of other countries, and there are three countries which can supply some sort of guidance to us on this subject—Switzerland, Germany and America. Switzerland, however, is a very small country, and I will therefore leave it out of consideration. The example which I think we should follow in this matter is that supplied by Germany. America is too advanced for us, because the federal finance of America is entirely separate from State finance, and it will be a long, long time before we reach that stage, if we ever reach it at all. But in Germany, my Lord, while the Empire has its own independent revenues, and the component States have theirs, the component States also make large contributions to the exchequer of the Empire. In fact, nearly one-fourth of the revenue of the Empire is at present derived from fixed contributions from the component States, and about three-fourths is derived from independent sources, such as Customs and Excise and Stamps. Now, I think, this is the direction in which we have to seek a solution of our problem. The Government of India should have about one-third or one-fourth of its revenue derived from fixed contributions made by the Provincial Governments. This will reduce the possibility of large surpluses being realised by the Government of India, and diminish the chances of doles being given to the Provincial

Governments. As I have already said, the policy of doles, which has been condemned by successive Finance Ministers, and also by several Members of the Decentralisation Commission, is a thoroughly demoralising policy, and if you want any strong financial responsibility to be felt by Provincial Governments and the doctrine of contractual responsibility to be strictly enforced, you must see to it that this practice of the Government of India giving doles to Provincial Governments year after year is stopped—indeed rendered impossible.

I had intended going into this in some detail, but I see that my twenty minutes are nearly up and I must conclude. I will therefore content myself with making only one or two observations. My Lord, taking the real revenue of the whole of India as estimated in next year's Budget, we may put it down at about 83 crores or 55 millions for the next year. As I explained on a previous occasion, I leave out in this refunds and drawbacks and assignments and compensations, as also the cost of production of opium; and the Commercial Services I take net. Out of this 83 crores, about four-sevenths is now the revenue of the Government of India and three-sevenths is the revenue of the Local Governments. Now, I think, it is possible to assign the principal heads to the Imperial and Provincial Governments in such a way that the Local Governments should have at their disposal a little more than the revenue which they at present enjoy, and the Government of India should have at its disposal a little less than what it has at present.

The excess, which the Local Governments will thus get, should come back to the Government of India in the shape of fixed assignments, which, of course, would not be capable of growth, and to that extent the Government of

India would have inelastic revenues at its disposal. On the other hand, as the Government of India will have customs-revenue, and as it will realise more and more from this source, I do not think that there would be any difficulty as regards the total revenue of the Government of India being sufficiently elastic. I think, my Lord, that the Government of India could and should raise much more revenue from customs than they are doing to-day. In Germany I find 57 millions are raised by customs; in America 60 millions are raised by customs; so that there is plenty of margin for raising a larger revenue from this source in India. My proposal, therefore, is this, that certain principal heads should be provincialised straight off. I would begin with land revenue, excise and forests, making them over to Local Governments, and such Local Governments as would get from them more than they actually require just now should be called upon to make fixed allotments to the Government of India. As the Government of India's revenue from its own sources, such as customs, grows, more and more of the other heads should be provincialised. So far the advance has been from centralized finance to decentralized finance. When the process of decentralization is completed—and we are yet a good way from completion—we have to advance from that to federal finance, which should be our goal. And I have indicated briefly how we may gradually proceed towards a federal basis.

There is one matter of some importance on which I would like to say a word before I finish, and that is the question of Provincial taxation raised by my Hon'ble friend Mr. Quin. My Lord, this is a very important matter, and I quite recognise that Provincial finance will not attain an independent position unless and until

Provincial Councils have the powers of taxation ; but I think this is a very difficult problem, and things generally will have to advance a great deal before these powers can be safely conferred on those Councils ; in any case, I urge, there should be no hurry in regard to this. I think, in the first place, the present practice of discussing Provincial Budgets must be well settled, and the public opinion in the different Provinces must make itself felt by the Provincial Governments much more than it is doing to-day. Secondly, before powers of taxation are conferred on Local Governments, it is necessary that every Local Government should be a Council Government, with a Governor at its head, coming fresh from England. And, thirdly, it is necessary that there should be an elected majority of Members in these Councils. When this position is reached, I think powers of taxation may safely be entrusted to Provincial Councils, but till then I would keep those powers in the hands of this Council. Finally, as regards borrowing, that will have to come after powers of taxation have been conferred, but I fear it will be some time before we are actually able to take these steps.

BUDGET SPEECH, 1912.

[The Council met on the 25th March 1912, for the final debate on the Budget, His Excellency Lord Hardinge presiding, Mr. Gokhale made the following speech :—]

My Lord, I propose to make a few observations to-day on the general state of our finances, but, before doing that, I would like, with Your Lordship's permission, to make one or two references of a personal nature. My Lord, this is the last time when my Hon'ble friend, Sir James Meston, will sit in this Council, at any rate as Financial Secretary, and I would like to take this opportunity to thank him publicly, and in Your Excellency's presence, for all the valuable assistance which he has uniformly given to non-official members during the last three years. Ever accessible, ever courteous, ever helpful, the Hon'ble Member has enabled many of us to perform our duty in this Council better than we could otherwise have done. He has believed whole-heartedly in the new order inaugurated by the recent reforms; and he has also believed in the capacity of non-official members to rise equal to their new responsibilities. And if this Council has not wholly disappointed expectations, the result, at any rate on the financial side of our discussions, is in no small measure due to the sympathetic and generous attitude of the Hon'ble Member towards us. My Lord, our best wishes accompany Sir James Meston in his new and exalted sphere, and I earnestly trust that, when his five years of office are over, he will return again to this Council as Finance Minister. I think, my Lord, there is a great deal to be said in favour of the view that membership of the Government of India should be the last rung of the

official ladder in this country, and that those members of the Civil Service who are marked out for Lieutenant-Governorships should complete their tenure of office as heads of Provinces before they come and join the Viceroy's Executive Council.

My Lord, I would next like to say a word about my Hon'ble friend, Sir Guy Fleetwood Wilson. We have all heard that he proposes shortly to go on six months' leave to recruit his health, and we all fervently hope that he will come back at the end of that period with his health fully restored and that he will continue to preside over his Department for the full period of his appointment. My Lord, the *personnel* of this Council on its non-official side will have undergone considerable changes before the Hon'ble Member's return, because in the interval there will be a new election, and, while some of us may possibly not want to come back, the constituencies may not want to send some others back, and therefore it would not be inappropriate if we, non-official members, seek to give brief expression on the present occasion to the great admiration and the very high regard in which we hold Sir Guy Fleetwood Wilson. My Lord, with his mind saturated with the best traditions of English public life of which he was a close observer for many years, the Hon'ble Member's presence in this Council has been simply invaluable to us at a time when our own tradition is slowly evolving here. We have never found Sir Guy Wilson wrapped up in official reserve. He has often presented new points of view to us and he has himself been always anxious to enter into our feelings and our thoughts. And his delightful and high-minded courtesy has made it a pleasure to have anything to do with him. His great familiarity with the principles of Western

finance has enabled him to manage our finances wisely and skilfully, and his attachment to the Gladstonian tradition of economy has left its impress on the administration of this country. In regard to our general affairs, too, it is well-known that Sir Guy Fleetwood Wilson's influence has been strongly on the side of popular progress. My Lord, the country needs men of his type in the Government—men of warm sympathies, of sturdy independence, and deep devotion to its truest and best interests; and once again I earnestly express the hope that Sir Guy will come back fully restored to health and will continue his services to India to the furthest limit of time to which they can be stretched.

My last word, my Lord, will be about this great and beautiful city. Speaking at the Calcutta Club the other day, Your Lordship expressed the great regret with which you viewed the prospect of this city soon ceasing to be your winter headquarters in future. May we, non-official members of this Council, ask to be permitted to respectfully join in that regret! I say nothing on this occasion about the great, the momentous, changes which were announced by His Imperial Majesty the King-Emperor at Delhi. Looking into the future with the eye of faith and of hope, I do believe that these changes, whatever temporary inconvenience or dislocation they may occasion, will do good in the end both to the Province of Bengal and to the country taken as whole. But, whatever the future may hold in its womb, the thought that this Council, which has grown from the smallest beginnings to its present dimensions in this city, meets here to-day for the last time, is a thought that must make the heart heavy. My Lord, it is not merely the infinite kindness and hospitality which we members, coming from

other Provinces, have always received from the people of Calcutta, it is not merely the friends that we have made here, that we shall miss; it is the entire influence of Calcutta and all that Calcutta stands for that will now be lost to us. Some of us, my Lord, have been coming to this city now for many years—~~For~~ one have come here continuously now for eleven years—and we have learnt to feel the same enthusiasm for this wonderful land which the people of Bengal feel. Its waving fields, its noble streams, its rich and wonderful vegetation of every kind, throw on us now the same spell that the people of this Province experience, and the warm-heartedness of its society, its culture, its spiritual outlook on life, and the intensity of its national aspiration have produced a deep and abiding impression upon our lives. My Lord, we bid adieu to this city with profound regret, and with every good wish for its continued prosperity that the heart of man can frame. And we fervently trust that, great as has been its past, its future will be even greater.

My Lord, I will now say a few words on the general state of our finances. We are, as everybody who knows anything about our finances knows, on the eve of a very considerable disturbance in our accepted standards both of revenue and expenditure. There is no question whatever that the financial position of the country, taken as a whole, is both sound and strong; but the fact that we are on the eve of this disturbance makes it necessary that there should be a careful and comprehensive examination of the whole position. On the one side, my Lord, our opium-revenue will soon be extinguished; on the other side, heavy and continuously increasing additions will be necessary to our expenditure on certain services, specially

education and sanitation. Then, my Lord, I hope, I most earnestly hope, that our military expenditure, the burden of which we have so long borne patiently, and which is really far beyond our capacity to bear, will be materially lightened as a result of the labour on which Sir William Nicholson and his Committee will soon enter. I therefore suggest that this is just the juncture when a comprehensive inquiry into the whole financial position may be undertaken by a strong Royal Commission. There are three outstanding features of the position. A top-heavy administration, much too costly for our resources, a crushing weight of military burdens, and a scheme of taxation which, though not much more burdensome in its total incidence than in other countries, presses much more heavily on the poorer than on the middle and the upper classes of the community. These are the outstanding features of our financial position. India, it must always be borne in mind, is a very poor country and the largest revenue that we can possibly raise must be small, judged by the standards of the West. The question, therefore, as to how to adjust our revenue to our growing requirements in certain directions is one of prime importance. My Lord, I, for one, shall be glad when our opium-revenue disappears; not only because I feel it to be a stain on us, but also because its presence in an uncertain state is very inconvenient from the standpoint of economy. The uncertainty that invests it is a great disturbing factor in our budget, and the large surpluses which it brings to the Government, however convenient they may be for certain purposes, cannot but be demoralizing in their effect on economy, because the strongest Finance Minister, with the utmost insistence that he can lay on rigid economy, cannot resist a certain

amount of wasteful expenditure in the presence of such large surpluses. When the opium-revenue disappears—and I understand that it will not take long now before it disappears—we shall be in a position to know where exactly we stand, and then it is that certain questions will require to be taken into serious and careful consideration, so that a definite financial policy may be laid down for the country which should be adhered to in all essentials, independently of the particular views or inclinations of individual Finance Members. The questions that require specially to be considered are how to readjust our old taxation so that its incidence should press less severely on certain classes—the poorest classes of the country; how to widen, if necessary, the present basis of taxation so that more money may be found for education, sanitation, and similar services; in what directions expenditure must be kept down, and in what directions expenditure must be increased. We want enquiry into these things by a strong Commission so that the future may be shaped in accordance with a definite policy laid down, after taking a comprehensive view of the whole question. For instance, my Lord, I hold that we can raise a much larger revenue than we do at present from our Customs without its proving burdensome to any section of the community. The possibility of raising revenue from certain sources, which at present yield nothing, must also be publicly examined. Then there is the question of reducing the State demand on land, especially in raiyatwari tracts, and the extension of the permanent settlement to areas where it does not at present exist, subject to the condition that agricultural incomes above a certain minimum should be liable to pay the income-tax. There is also the question as to how

larger recurring grants for local bodies may be provided so that they should be better able than at present to perform their duties satisfactorily, and how provision may be made for steadily expanding allotments to education, sanitation, and medical relief. I therefore urge that when the opium-revenue is about to disappear, the occasion should be utilised to appoint a strong Royal Commission to consider the whole subject of the basis of our taxation and the probable future course of our expenditure. One important reason why such an inquiry is necessary is the extreme rapidity with which the *personnel* of the Government changes in this country. A Finance Minister, or any other member of Government, holds office for only five years; he takes some time to make himself acquainted with the problems of his department or the state of things in the country, and by the time he is in a position to handle important questions well, the time also comes for him to think of leaving. If members of Government were to remain in this country after their retirement, the knowledge and experience which they acquired in their respective offices would still be available to us. What happens at present is that every successor has to begin not where his predecessor ended but his predecessor also began, and thus a large amount of most useful and necessary knowledge is repeatedly lost and has to be repeatedly acquired over and over again, with the result that we seem to be living more or less from hand to mouth and without a large settled policy adopted as a result of wide and thorough knowledge and ample discussion.

I, therefore, urge my Lord, that when the opium-revenue is about to be extinguished, as we understand it will soon be, the Government should take steps to appoint a Royal Commission so that the whole financial position of the country may be carefully examined.

HOUSE ACCOMMODATION IN CANTONMENTS.

[At a meeting of the Imperial Legislative Council held on Friday, the 14th February 1902, His Excellency Lord Curzon presiding, the Council considered the Report of the Select Committee on the Bill to make better provision for securing house accommodation for officers in Cantonments. The Hon. Mr. Pugh moved that in clause 2, sub-clause (1) of the Bill, as amended by the Select Committee, the definition of "grantee" be omitted. In supporting the amendment, the Hon. Mr. G. K. Gokhale spoke as follows :—]

Your Excellency,—As Government have been pleased to accept the amendment moved by the Hon'ble Mr. Pugh, I do not think it is necessary for me to say anything in support of it; but, if Your Excellency will bear with me, I will, following the example of my Hon'ble friend Mr. Bilgrami, make a few observations on the general character of the measure which the Council are invited to pass to-day. My Lord, it is true that I have signed the Report of the Select Committee subject to dissent in one particular only, but I don't mind confessing that I regard all legislation of this nature with a considerable amount of misgiving. I am free to recognise that Government have been by no means precipitate in proceeding with this measure, as it has been before the public, in one form or another, for nearly thirteen years. I also recognise that large and important modifications have been introduced into the Bill to soften the stringency of its original provisions, and now that Government have accepted the amendment of which the Hon'ble Mr. Pugh had given notice, I think they have done nearly all that lay in their power, short of dropping the Bill, to provide what have to

be considered as reasonable safeguards to protect the legitimate interests of house-owners in cantonments. But, my Lord, when all this is admitted—and I make the admission most gratefully—the fact remains that legislation of so exceptional a character, interfering as it does with the normal freedom of contract between house-owners and tenants, can be justified only on grounds of the strongest necessity ; and there is ample evidence in the opinions and memorials laid before the Select Committee to show that in the case of a large number of cantonments such necessity does not exist. In these cantonments no difficulty has been experienced in the past in the matter of obtaining house accommodation for military officers, the number of bungalows available being largely in excess of military requirements, and a certain proportion of these bungalows remaining, as a matter of fact, vacant from year to year. Poona is a typical instance of this class of cantonments. It has been estimated that the number of military officers requiring house-accommodation in Poona is about 160 ; while the number of bungalows in Military lines is over 200. Now all these 160 officers do not take a house each. The younger officers generally prefer chumming, three or four in a house. A considerable number reside in the Western India Club and in hotels and a few live even in Civil lines. The result is that every year a certain number of houses remain without tenants. It may be urged that it is not intended to put the proposed enactment into operation at once in all cantonments throughout India. That is true ; but as soon as the Bill is passed, the matter gets out of the hands of the Legislature, and then it is all a question of the discretion of Government in their executive capacity, which, it will be admitted, is quite a different thing. I do not say that this discretion will not, as a rule, be

wisely exercised, but it is conceivable that a Local Government may not always be able to withstand the pressure of the military authorities, who would naturally not be reluctant to be armed with the drastic powers which this Bill vests in them, when once the Act is extended to a cantonment. And I think there is reason to fear that the operation of this enactment, with all the safeguards it contains, is likely to prove in practice more or less prejudicial to the interests of house-owners. The Legislature, my Lord, may make the letter of the law as severely impartial as it can. The law itself has to be enforced through the medium of human beings, who are not free from prejudice. And in the present case it will be worked by military men, who are so accustomed to prompt and unquestioning obedience that they are often not likely to trouble themselves much about nice points of law in enforcing their wishes. The Bill provides for referring all important matters of disagreement between house-owners and tenants to Committees of Arbitration. It remains to be seen how far the safeguard of these Committees proves to be effective in practice. Past experience of these bodies in cantonments is not very encouraging. On this point I need quote no other testimony than that of the Hon'ble Mr. Hardy, who has described his experience of these Committees in the following terms:—‘I have been a member on these Committees, and I am bound to say I thought their tendency was to be hard on the house-owner.’ Let us hope that the Arbitration Committees that will be constituted under the proposed enactment will give greater satisfaction. In one respect the Bill is certain to cause loss to house-owners. Where a non-military tenant is ejected in favour of a military tenant under the coercive clauses of the Bill, the house is

sure to be shunned by non-military tenants after that, and so, if at any time the house-owner fails to get a military tenant for it, it is likely to remain without a tenant. I have made these observations to emphasize respectfully the great need there is for exhausting all ordinary remedies before resorting to the somewhat violent disturbance of the normal relations between house-owners and tenants which this Bill authorises, especially in the case of those cantonments in which the inconvenience complained of in the preamble of the Bill has not assumed serious dimensions and where the requirements of the military are of a fixed character. I believe, in such cantonments, Government might, with advantage, try the plan of selecting themselves the required number of bungalows once for all, and requiring their officers to occupy them for fixed rents. Such an arrangement, I submit, will be more equitable than that contemplated in the Bill, because there will be a reciprocity of obligations under it. For if house-owners will be thereby required to place their bungalows at the disposal of military officers, these latter, in their turn, will be bound to occupy them; and the chances of friction between house-owners and military officers will be minimised. Of course, where the evil mentioned in the preamble has grown so serious that such a simple plan will not be practicable, the proposed enactment will have to be enforced, for no one can question the fact, that cantonments exist primarily for the accommodation of military men, and they must fulfil that purpose under any circumstances. But in regard to these cantonments, i.e., where it will be found necessary to enforce the new law, I would venture to make one suggestion, and that is, that Government should publish every year a statement showing the number of cases in

which the coercive clauses of the Bill have been enforced during the year. I think the mere fact that such a return will have to go up to the Government will tend to sober the excess of zeal on the part of cantonment authorities and will prove a salutary addition to the safeguards which have been already provided in the Bill. My Lord, it was not possible for me to bring up these suggestions in the shape of amendments, and I thought I might submit them to the consideration of Government in the course of this discussion.



THE OFFICIAL SECRETS ACT.

[At a meeting of the Imperial Legislative Council, held on Friday the 4th December 1903, the Hon'ble Sir T. Ralsigh presiding, the Hon. Mr. A. T. Arundel moved that the Bill to amend the Indian Official Secrets Act 1889, be referred to a Select Committee. The Hon. Mr. G. K. Gokhale opposed the motion in the following speech :—]

Sir, this Bill, both in its principle and its details, is open to such grave objection that it is a matter for profound regret that Government should ever have thought of introducing the measure. The *Englishman*, in a recent issue, describes the Bill as calculated to Russianize the Indian Administration, and says that 'it is inconceivable that such an enactment can be placed on the Statute-book even in India.' This, no doubt, is strong language, but I think, it is none too strong, and in view of the quarter from which it comes, it should give Government pause. Fourteen years ago, when the Indian Official Secrets Act was passed, there was no discussion in the Council, as the measure was introduced and passed at Simla. But there were two considerations in its favour : first, that a similar Act had already been passed in England and it was applicable to all the dominions of His Majesty, including India, and so the Indian Act was a mere Indian edition of the English Law already in force in India ; and, secondly, it related principally to Naval and Military Secrets, and it could be argued that, as such secrets concerned questions of the country's safety, it was necessary for Government to have drastic powers for preventing their disclosure. The present Bill, however, proposes to make alterations of so astounding a nature in that Act that it is difficult to

speaking of them with that restraint which should characterize all utterances in this Chamber. To state the matter briefly, the Bill proposes to make three principal changes in the old Act: first, it proposes to place Civil matters on a level with Naval and Military matters; secondly, in place of the present provision that a person who enters an office *for the purpose of wrongfully obtaining information* is liable to be punished under the Act, it is now proposed to enact that whoever, 'without lawful authority or permission (the proof whereof shall lie upon him), goes to a Government office,' commits an offence under the Act; and, thirdly, it is proposed to make all offences under the Act cognisable and non-bailable. Now, Sir, it is difficult to imagine that any responsible officer of Government conversant, in any degree, with the administration of the country, and possessing the least regard for the professed character of British rule, could have drafted these amendments. Take the first proposal to place Civil matters on a level with Naval and Military matters. The Civil administration of the country ranges from the highest concerns of State policy which engage the attention of the Viceroy down to the pettiest detail of the routine work of a village official. The word 'secret' is nowhere defined, and it must, therefore, include all official information not authoritatively notified by the Government to the public. And I want to know if it is seriously intended to make the publication of even the most trivial news in connection with this vast Civil administration of the country penal—such news, for instance, as the transfer of a Government officer from one place to another—unless it has first appeared in a Government resolution or any other official notification. And yet this would be the effect of the proposed amendment. The *Englishman* calls this Russianiz-

ing the administration, and he is entitled to the thanks of the public for his powerful and disinterested criticism. For the Bill, even if it becomes law, will not in practice affect him or the other editors of Anglo-Indian papers. I would like to see the official who would venture to arrest and march to the police thana the editor of an Anglo-Indian paper. But so far as Indian editors are concerned, there are, I fear, officers in this country, who would not be sorry for an opportunity to march whole battalions of them to the police thana. It is dreadful to think of the abuse of authority which is almost certain to result from this placing of Indian editors, especially the smaller ones among them, so completely at the mercy of those whom they constantly irritate or displease by their criticism. It might be said that, while Government have no objection to the authorised publication of official news of minor importance, they certainly want to prevent the publication of papers, such as the confidential circulars about the wider employment of Europeans and Eurasians in the Public Service, which were published by some of the Indian papers last year. Now, in the first place, the Bill does not distinguish between matters of smaller and greater importance. And, secondly, even on the higher ground on which the measure may be sought to be defended, I submit that the Bill, if passed into law, will do incalculable mischief. I think, Sir, that in a country like India, while Naval and Military secrets require to be protected, if anything, with even greater strictness than in England, the very reverse is the case with matters concerning the Civil administration. The responsibility of the Government to the people in this country is merely moral; it is not legal, as in the West. There is no machinery here, as in Western countries, to secure that the interests of the general public will

not be sacrificed in favour of a class. The criticism of the Indian Press is the only outward check operating continuously upon the conduct of a bureaucracy, possessing absolute and uncontrolled power. I can understand the annoyance caused to the officers of Government by the publication of circulars, such as were made public last year. But are Government wise in permitting this feeling of annoyance to so influence them as to make them come forward with a proposal to close an obvious safety-valve and drive popular discontent inwards? The proper and only remedy, worthy of the British Government, for whatever is really deplorable in the present state of things, is not to gag newspapers as proposed in this bill, but to discourage the issue of confidential circulars which seek to take away in the dark what has been promised again and again in Acts of Parliament, the Proclamations of Sovereigns, and the responsible utterances of successive Viceroys. From the standpoint of rulers, no less than that of the ruled, it will be most unfortunate if Indian papers were thus debarred from writing about matters which agitate the Indian community most. What happened, for instance, last year, when those circulars were published? For some time before their publication, the air was thick with the rumour that Government had issued orders to shut out Indians from all posts in the Railway Department, carrying a salary of Rs. 30 and upwards a month. It was impossible to believe a statement of this kind, but it was not possible to contradict it effectively when it was practically on every tongue. The damage done to the prestige of Government was considerable, and it was only when the circulars were published that the exact position came to be understood. The circulars, as they stood, were bad enough in all

conscience, but they were not so bad as the public had believed them to be. What was laid down in them was not that Indians were to be shut out from all appointments higher than Rs. 30 a month, but that Eurasians and Europeans were to have, as far as practicable, a preference in making appointments to such posts. The fear that such lamentable departures from the avowed policy of Government might be dragged into the light of day act at present as an effective check on the adoption of unjust measures, and I think it will have a disastrous effect on the course of administration, if this check were to be done away with and nothing better substituted in its place. As regards the second amendment, which would make a man's merely going to an office without lawful authority or permission an offence, I am sure Government have not considered what this will mean in practice. A very large amount of the work of lower officials is transacted by the people concerned going to their offices without permission expressly obtained. Petitioners, for instance, often have to go to offices for making inquiries about what has happened to their petitions. They rarely receive written replies, and it will now be in the power of any police officer to get a man against whom he has a grudge, or from whom he wants to extort anything, into trouble by alleging that he had gone to an office of Government 'without lawful authority.' This will be putting a most dangerous power into the hands of the lower police, about whose character, as a class, the less said, the better. Even an innocent friendly visit by a private individual to an official friend of his at the latter's office can, under this Bill, be construed into an offence. I am sure nothing could be farther from the intention of Government, and I am astonished that greater care was not taken in drafting

the Bill to confine it to the object Government had in view. Lastly, it is proposed to make offences under this Act cognizable and non-bailable—which means that a person charged with an offence under this Act is to be arrested at once, but he is not to be liberated on bail—and yet there is to be no trial till the sanction of the Local Government has been obtained. This may take weeks and even months, and finally, it may never be accorded, and the person arrested is all the while to rot in detention. I cannot understand how a procedure so abhorrent to ordinary notions of fairness should have commended itself to Government. The only redeeming feature in this most deplorable business is that among the opinions which the Government of India have received from their own officers, there are some that strongly deprecate the measure—at least in its more serious aspects. And I think it is a matter for special satisfaction that the Government of Bengal has spoken out so plainly against placing Civil matters on a level with the Naval and Military. Sir, I protest against the very introduction of this Bill. I protest against the spirit in which it has been conceived. I protest against its provisions generally. And as I cannot imagine any possible amendment of the measure which can make it acceptable to me, my only course is to vote against this motion to refer it to a Select Committee.

[At a meeting of the Imperial Legislative Council held on Friday the 4th March 1904, His Excellency Lord Curzon presiding, the Hon'ble Sir A. T. Arundel moved that the Report of the Select Committee on the Bill to amend the Official Secrets Act, 1889, be taken into consideration. The Hon'ble Mr. G. K. Gokhale then spoke as follows:—]

My Lord, I desire to say a few words on the Bill as amended by the Select Committee before this motion is

put to the vote. When the Bill was referred to the Committee in December last, my Hon'ble friend Nawab Saiyid Muhammad and myself deemed it our duty to enter an emphatic protest against the general character and the leading provisions of the proposed measure, because in the form in which it then stood, it was impossible to have any patience with the Bill. Since then, however, thanks to the assurances given by Your Lordship on your return to Calcutta, and the conciliatory attitude adopted by the Hon'ble Member in charge of the Bill in the Select Committee, the Bill has been largely altered, and I gladly recognize that several most objectionable features have either been wholly removed or have been greatly softened. Having made this acknowledgment, I deem it necessary, my Lord, to submit that unless the Bill is further amended on the lines of the more important amendments of which notice has been given, the alterations made so far will fail to allay the apprehensions that have been so justly aroused. My Hon'ble friends Mr. Bose and Nawab Saiyid Muhammad and myself have signed the Report of the Select Committee subject to dissent only on two points, and we have expressed that dissent in the mildest terms that we could possibly find to convey our meaning. We did this both to mark our sense of the conciliatory manner in which the Hon'ble Member in charge of the Bill received many of our suggestions, and in the hope that, by thus removing from our dissent all trace of the angry criticisms to which the Bill has been subjected, we might make it easier for Government to proceed further in the direction of meeting the objections urged by the public. My Lord, I earnestly trust that in this hope we shall not be altogether disappointed. I do not wish to anticipate anything I may have to say when the amendments of which I have given notice

come up for consideration. But I cannot let this motion be put to the vote without saying that the Bill, even as amended, is open to serious objection, that no case has been made out for it, that the safeguards to which the Hon'ble Member referred in presenting the Report of the Select Committee are more or less illusory, and that unless the Bill is further amended, it must tend unduly to curtail the liberty of the Press, not so much perhaps by what Government may actually do, as by the fear of what they may do. The striking unanimity with which the entire Press of the country, Anglo-Indian as well as Indian, has condemned the measure must convince the Government that the opposition to the Bill is not of a mere partisan character, but that it is based upon reasonable grounds, which it is the duty of Government to remove. If, however, Government are not prepared to do this, I would respectfully urge even at this last moment that the Bill should be abandoned altogether.

[At the same meeting the Hon'ble Mr. Gokhale moved that in clause 2 of the Bill as amended, in the proposed definition of "affairs," in sub-clause (b) the words "or any other matters of State" be omitted. He said :—]

Government are no doubt aware that these are the words to which the greatest exception has been taken both by the Press and by public associations in the country, and if this proposal to omit them is accepted, the greater part of the opposition to this measure will, I think, disappear. On the other hand, if the words are retained, they will render the attempted definition of 'civil affairs' practically valueless, by conferring on Government almost as wide and dangerous a power to interfere with the liberty of the Press as under the original Bill. My Lord, a definition is no definition unless it specifies, or at any rate indicates

with some degree of definiteness, what it is that is intended to be included within its scope, so that a person of average intelligence may have no difficulty in understanding that scope. In the present case, this test fails altogether on account of the use of such vague and all-embracing words as 'any other matters of State' in this attempted definition. I see that the Hon'ble Sir Arundel Arundel has given notice of an amendment to insert the word 'important' before the words 'matters of State.' Any other important matters of State is, however, as vague and may be made as all-embracing as the expression 'any other matters of State,' and I do not think the Hon'ble Member's amendment will improve matters in any way. It may be argued, as the Hon'ble Member did when presenting the Report of the Select Committee, that the definition of 'civil affairs,' even as it stands, need cause no apprehension; because, before any conviction is obtained, Government would have to prove (1) that the information published was of such a confidential nature that the public interest had suffered by its disclosure; (2) that it had been wilfully disclosed; and (3) that the person disclosing it knew that in the interest of the State he ought not to have disclosed it at that time. Now, my Lord, these safeguards look very well on paper; but I fear in practice they will not be found very effective. When the Government come forward to prosecute a newspaper on the ground that it had disclosed confidential information relating to matters of State, and that such disclosure had harmed public interests, I am afraid a great many Magistrates in India will require no other proof than the opinion of Government to hold that the information published was confidential, and that it had prejudicially affected the interests of the State. As regards wilful communication,

that too will be held to be established as a matter of course, unless the newspaper proves that the publication was due to inadvertence. The knowledge on the part of the editor that such publication should not have been made at the time in the interests of the State will, no doubt, strictly speaking, be more difficult to prove, but Magistrates of the average type in India, in the peculiar relation in which they stand to the Executive Government, will not be very reluctant to presume such knowledge from the fact that the information published was regarded by Government as confidential, and from other attendant circumstances. Let me take, as an illustration, the publication last year by some of the Indian newspapers of a confidential circular addressed to railway authorities in this country by the Under-Secretary to the Government of India in the Public Works Department in the matter of the wider employment of Europeans and Eurasians. My Lord, in the statement made by Your Lordship in December last on the subject of the Official Secrets Bill, Your Lordship was pleased to state that I had directly attributed the introduction of this Bill to the annoyance caused to Government by the publication of this circular. May I respectfully ask leave to correct this misapprehension? I had mentioned this circular only to illustrate my meaning as to the distinction which I thought Government might make between civil matters of smaller and of greater importance. My exact words were : ' It may be said that, while Government have no objection to the unauthorized publication of official news of minor importance, they certainly want to prevent the publication of papers such as the confidential circulars about the wider employment of Europeans and Eurasians in the public service, which were published by some of the

Indian papers last year.' And later on, when I spoke of the annoyance caused to the officers of Government, I spoke of 'the annoyance caused by the publication of circulars such as were made public last year.' I had thus used the circular only for the purpose of an illustration, and I beg leave to use it for a similar purpose again to-day. It is probable that, as this circular had been issued without Your Lordship's knowledge or the knowledge of the Member in charge of Public Works as stated by Your Lordship on a previous occasion, Government would not sanction a prosecution in this case; but supposing for the sake of argument that they did, how would the matter stand? Government might urge that the publication of the circular had inflamed the minds of many Hindus, Muhammadans and Parsis against the Government and had thus led to increased disaffection in the country. And if the trying Magistrate came to accept this view, the task of the prosecution would be comparatively simple. The injury to public interests would be held to lie in the alleged increased disaffection, and the circular being confidential, the Magistrate would have no difficulty in holding that the publication was wilful; and the editor would be presumed to have known what the consequences of such a publication would be. It may be that on an appeal to the High Courts or similar authority, the conviction may be set aside. But the worry and expense caused to the editor by such a prosecution might, in themselves, prove a heavy punishment, especially when it is remembered that the prosecution would have behind it all the prestige, power and resources of the Government. Even if no prosecution were actually instituted by the Government under the proposed legislation, the mere fact that the Government was armed with the power to

prosecute cannot fail to affect prejudicially the liberty of the Press in this country. My Lord, nowhere throughout the British Empire is the Government so powerful relatively to the governed as in India. Nowhere, on the other hand, is the Press so weak in influence, as it is with us. The vigilance of the Press is the only check that operates from outside, feebly, it is true, but continuously, upon the conduct of the Government, which is subject to no popular control. It is here, therefore, if anywhere, that the Legislature should show special consideration to the Press, and yet here alone it is proposed to arm Government with a greater power to control the freedom of the Press than in any other part of the Empire. My Lord, we often hear Government complaining of the distrust shown by the people in this country, and the people complaining of the Government not trusting them enough. In such a situation, where again the question is further complicated by a tendency on the part of the Government to attach undue importance to race or class consideration, the wisest and safest and most statesmanlike course for it is to conduct its civil administration as far as possible in the light of day. The Press is in one sense, like the Government, a custodian of public interests, and any attempt to hamper its freedom by repressive legislation is bound to affect these interests prejudicially, and cannot fail in the end to react upon the position of the Government itself. My Lord, I fear, that the retention of the words 'or any other matters of State' in the definition of 'civil affairs' will unduly curtail the liberty of the Press in India, and I, therefore, move that these words be omitted from the definition.

[At the same meeting, the Hon. Mr. A. T. Arundel having moved that the Bill, as amended, be passed, the Hon.

Mr. Gokhale opposed the motion in the following speech:—

My Lord, the motion now before the Council is only a formal one. But as it marks the conclusion of our discussion of this important measure, I would like to say a few words. My Lord, I greatly regret that Government should not have seen their way to accepting even a single one of the more important amendments of which notice had been given. This is the first time within my experience that a legislative measure has been opposed by all classes and all sections of the public in this country with such absolute unanimity. Of course with our Legislative Councils as they are constituted at present, the Government has the power to pass any law it pleases. But never before, I think, did the Government dissociate itself so completely from all public opinion--including Anglo-Indian public opinion—as it has done on the present occasion. I recognize that the responsibility for the good administration of the country rests primarily on the shoulders of the Government. But it is difficult to allow that this responsibility can be satisfactorily discharged, unless the Government was supported in its legislative and executive measures by some sort of public opinion. My Lord, Your Lordship has often declared that it was your constant aspiration to carry the public with you as far as possible in all important acts of your administration. I do not think it can be said that that aspiration has been in the smallest degree realized in the present case. The whole position is really most extraordinary and very painfully significant. Here we had a law, already in force, identical in character and identical in wording with the law obtaining in the other parts of the British Empire. The British Government in England, with its vast naval and military concerns and its foreign relations extending over the surface of the whole

globe, has not found its law insufficient for its purpose. How then has the Government of India, with its more limited concerns, found it necessary to make the law more drastic in India? The explanation, I think, is simple. It is that, while in England the Government dare not touch the liberty of the Press, no matter how annoying its disclosures may be, and has to reconcile itself to the latter regarding them as only so much journalistic enterprise, in India the unlimited power which the Government possesses inclines it constantly to repressive legislation. This single measure suffices to illustrate the enormous difference between the spirit in which the administration is carried on in England. My Lord, as the Bill is still open to serious objection, I must vote against this motion to pass it.

THE INDIAN UNIVERSITIES ACT.

[At a meeting of the Imperial Legislative Council, held on Friday the 18th December 1903, His Excellency Lord Curzon presiding, the Hon. Sir T. Raleigh moved that the Bill to amend the law relating to the Universities of British India be referred to a Select Committee. In opposing the motion the Hon. Mr. G. K. Gokhale made the following speech :—]

My Lord, as this is the occasion on which the principle of the Bill may be usefully discussed, I cannot give a silent vote on the motion now before us, especially in view of the great attention which this subject has received during the last three years at the hands of both the Government and the public, and the angry controversy which has raged round it for most of the time. In the course of the Budget Debate of last year, Your Lordship, while referring to the attitude of the educated classes of this country towards University Reform, was pleased to observe—‘Surely there are enough of us on both sides, who care for education for education’s sake, who are thinking, not of party-triumphs, but of the future of unborn generations, to combine together and carry the requisite changes through.’ My Lord, I do not know if my claim to be regarded as one of such persons will pass unchallenged. But this I venture to say for myself: I hope I have given, in my own humble way, some little proof in the past of my interest in the cause of higher education; and that, in the observations which I propose to offer to-day, the only consideration by which I am animated is an anxious regard for the future of Western education in this land, with the

wide diffusion of which are bound up in large measure the best interests of both the Government and the people. My Lord, in your Budget speech of last year, Your Lordship complained of the unnecessary distrust with which the educated classes regarded the attitude of the present Government towards higher education. I can assure Your Lordship that, even among those who have not been able to take the same view of this question as Your Lordship's Government, there are men who regret that the difficulties which already surround a complicated problem should be aggravated by any unnecessary or unjustifiable misapprehension about motives. But is it quite clear that the Government itself has been free from all responsibility in this matter, and that it has given no cause whatever for any misapprehension in regard to its object? Let the Council for a moment glance at the circumstances which have preceded the introduction of this Bill. More than two years ago, Your Lordship summoned at Simla a Conference of men engaged in the work of education in the different Provinces of India. Had the Conference been confined to the educational officers of Government, one would have thought that Government was taking counsel with its own officers only, and of course there would have been no misunderstanding in the matter. But the presence of Dr. Miller at the Conference at once destroyed its official character, and gave room for the complaint that the deliberations were confined to European educationists in India only. The fact that the proceedings of the Conference were kept confidential deepened the feeling of uneasiness already created in the public mind by the exclusion of Indians from its deliberations. Later on, when the Universities Commission was first appointed, its composition, as is well known, afforded much ground for

complaint; and though, to meet public opinion half way, Your Lordship took the unusual step of offering a seat on the Commission, almost at the last moment, to Mr. Justice Guru Das Banerjee, the objection remained that, while missionary enterprise was represented on the Commission in the person of Dr. Mackichan, indigenous enterprise in the field of education was again left unrepresented. The hurried manner in which the Commission went about the country and took evidence and submitted its report was not calculated to reassure the public mind. Finally, the holding back of the evidence, recorded by the Commission, on the plea that its publication would involve unnecessary expense, was very unfortunate, as other Commissions had in the past published evidence ten times as voluminous and the question of economy had never been suggested. Now, my Lord, every one of these causes of complaint was avoidable and I cannot help thinking that a good deal of the apprehension, which every right-minded person must deplore, would have been avoided, if Government had been from the beginning more careful in this matter. The task of reforming the University system in India was, in any case, bound to be formidable, and it was much to be wished that it had been possible to examine the proposals of Government on their own merits, in the clear light of reason, unobscured by passion or prejudice or misapprehension of any kind, on one side or the other.

A misapprehension of the motives of the Government cannot, however, by itself explain the undoubted hostility of the educated classes of this country to the present measure. And it seems to me to be clear that this sharp conflict of opinion arises from the different standpoints from which the question of higher education is regarded.

by the Government and the people. In introducing this Bill the other day at Simla, the Hon'ble Mr. Raleigh asked at the outset the question 'whether English education has been a blessing or a curse to the people of India, and he proceeded to give the following reply :—

In point of fact it has been both, but much more, I believe, a blessing than a curse. We note every day the disturbing effects of a new culture imposed upon learners who are not always prepared to receive it; but still it is a great achievement to have opened the mind of the East to the discoveries of Western science and the spirit of English law. To the Schools and Colleges under our administration we owe some of the best of our fellow workers—able Judges, useful officials, and teachers who pass on to others the benefit which they have received. To them also we owe the discontented B.A., who has carried away from his college a scant modicum of learning and an entirely exaggerated estimate of his own capacities, and the great army of failed candidates, who beset all the avenues to subordinate employment.

Here then we have the principal objection to the present system of University education authoritatively stated, namely, that it produces the discontented B.A., and a great army of failed candidates. The Hon'ble Member describes these classes as a curse to the country, and he claims that his proposals are intended to abate this evil. Now, my Lord, I would, in the first place, like to know why 'the army of failed candidates, who beset the avenues to subordinate employment' should be regarded as a curse by the Government any more than any other employer of labour regards as a curse an excess of the supply of labour over the demand. These men do no harm to anyone by the mere fact that they have failed to pass an examination or that they seek to enter the service of Government. Moreover, unless my Hon'ble friend is prepared to abolish examinations altogether, or to lay down that not less than a certain percentage of candidates shall necessarily be passed, I do not see how he expects to be able to reduce the evil of failed candidates.

The Colleges on the Bombay side satisfy most of the conditions that the Hon'ble Member insists upon, and yet the problem of the failed candidates is as much with us there as it is here. As regards the discontented B.A., assuming that he is really discontented, will the Hon'ble Member tell me how his proposed reconstitution of the Universities will make him any more contented? Does he not know that Indians, educated at Oxford or Cambridge, who bring away from their Universities more than a 'scant modicum of learning' and a by no means 'exaggerated estimate of their own capacities' are found on their return to India to be even more 'discontented' than the graduates of the Indian Universities? The truth is that this so-called discontent is no more than a natural feeling of dissatisfaction with things as they are, when you have on one side a large and steadily growing educated class of the children of the soil, and on the other a close and jealously-guarded monopoly of political power and high administrative office. This position was clearly perceived and frankly acknowledged by one of the greatest of Indian Viceroy—Lord Ripon—who, in addressing the University of Bombay in 1894, expressed himself as follows:—

I am very strongly impressed with the conviction that the spread of education and especially of Western culture, carried on as it is under the auspices of this and the other Indian Universities, imposes new and special difficulties upon the Government of this country. It seems to me, I must confess, that it is little short of folly that we should throw open to increasing numbers the rich stores of Western learning; that we should inspire them with European ideas, and bring them into the closest contact with English thought; and then that we should, as it were, pay no heed to the growth of those aspirations which we have ourselves created, and of those ambitions we have ourselves called forth. To my mind one of the most important, if it be also one of the most difficult, problems of the Indian Government in these days is how to afford such satisfaction to those aspirations and to those ambitions as may render the men who are animated by them the hearty advocates and the loyal supporters of the British Government.

My Lord, I think it is in the power of Government to convert these 'discontented B.A.'s' from cold critics into active allies by steadily associating them more and more with the administration of the country, and by making its tone more friendly to them and its tendencies more liberal. This, I think, is the only remedy for the evil complained of, and I am sure there is none other.

My Lord, in the speech of the Hon'ble Member, to which I have already referred, he has argued as follows :—

The evils of the discontented B.A.'s and the great army of failed candidates cannot be combated without improving the methods of teaching and examination which produce these results. Such improvement cannot, however, be secured without reconstituting the Senates of the different Universities. Therefore it is that the Government has thought it necessary to come forward with the proposals embodied in the present Bill.

Now, my Lord, I do not think the discontented B.A.'s will grow rarer or that the ranks of the army of failed candidates will become thinner after this Bill becomes law. But even if this object of the Hon'ble Member be not likely to be achieved, I am willing to admit that it would be a great and worthy end to attempt an improvement for its own sake in the methods of teaching and examination, and if any one will make it clear to me that this end is likely to be attained by the adoption of the proposals embodied in this Bill, I shall be prepared to give my most cordial support to this measure. For, my Lord, I have long felt that our present methods of both teaching and examination are very imperfect and call for a reform. But as far as I can see, there is little in this Bill which will in any way secure that object. It is true that the Hon'ble Sir Denzil Ibbetson, in his brief but eloquent speech at the first reading, spoke of the necessity of raising the character of the teaching at present imparted in Colleges, and he announced that Government had decided 'to make

for five years special grants in aid of Universities and Colleges whose claims to special assistance in carrying out the reforms which we have in view are established, subject to an annual limit of five lakhs of rupees !' The announcement is a most welcome one, but it is difficult to see what reforms the Government has in view, and until further details about the Government scheme are forthcoming, no definite opinion can be pronounced on it. Moreover, we are just now considering the Bill, and so far as its provisions are concerned, there need not be the least change in the present state of things, so far as the Colleges in the Bombay Presidency are concerned. But, my Lord, while it is difficult to allow the claim of the Hon'ble Sir Raleigh that this Bill will lead to an improvement in the methods of teaching and examination, there can be no room for doubt that the first and most obvious effect of the passing of this measure will be to increase enormously the control of Government over University matters, and to make the University virtually a Department of the State. This increase of control is sought to be secured both directly and indirectly—directly by means of the new provisions about the acceptance of endowments and the appointment of University Professors and Lecturers, the affiliation of Colleges and the making of regulations—and indirectly by the proposed reconstruction of the Senate and the power of censorship in regard to its composition which Government will now be able to exercise every five years. My Lord, if Government cannot trust the Senate even to accept endowments without its own previous sanction, or to make appointments to endowed Professorships or Lectureships, if Government is to have the power to affiliate or disaffiliate any institution against the unanimous opinion of both the Senate

and the Syndicate, if it may make any additions it pleases to the regulations submitted by the Senate for its sanction and may even in some cases make the regulations themselves without consulting the Senate, I do not see that much dignity or independence is left to the Senate under such circumstances. And when, in addition to so much direct control, Government takes to itself the power of not only nominating practically nine-tenths of the Fellows but also of revising their lists every five years, I think no exception can be taken to the description that the Senate under the circumstances becomes a Department of the State. My Lord, much was said during the last three years about the necessity of giving a preponderant voice to men actually engaged in the work of education in the deliberations of the University; very little, on the other hand, was heard about the necessity of increased Government control. In the proposals, however, with which Government has now come forward while no statutory provision has been made for a due representation of Professors and teachers in the composition of the Senate, Government has virtually absorbed nearly all real power and made everything dependent upon its own discretion. The spirit in which the Government has chosen to deal with the Universities in this Bill appears to me to be more French than English. Was it really necessary to revolutionize their position so completely in the interests of education alone? After all, Government itself is responsible for the composition of existing Senates, and what guarantee is there that the power of nomination, which has been admittedly exercised with considerable carelessness in the past, will be used any better in the future? Moreover, there are men on the existing Senates who have all along taken great interest in the affairs of the Universities, but who have perhaps made

themselves disagreeable to those who are regarded as the special representatives of Government in those bodies. And it is very probable that these men may not be included among those who will now form the reconstructed Senates. If this happens, will it be just? My Lord, I am personally not opposed to the idea of a limited Senate, and were the question not complicated by fears of probable injustice in the first reconstruction, I should even be disposed to support the idea strongly. I also recognize that, if we are to have a limited Senate, it is necessary to provide for a certain number of seats falling vacant every year, so that there should be room for a continuous introduction of qualified new men; and if these vacancies cannot be expected to arise in the natural course of things—by retirement or death—it is necessary to make the Fellowships terminable. But one essential condition in a scheme of a limited Senate with terminable Fellowships is that a large proportion of seats should be thrown open to election, so that those who do not see eye to eye with the special representatives of Government, may not be deterred from taking an independent line by the fear of displeasing Government. But to make the Fellowships terminable in five years and to keep practically nine-tenths of the nominations in the hands of Government will, in my humble opinion, seriously impair all real independence in the deliberations of the University. My Lord, there are in the special circumstances of this country, three different interests which really require to be adequately represented in the University Senate. There is first the Government which is of course vitally concerned in the character of the education imparted; then there are the Professors and teachers who are actually engaged in the work of instruction; and last, but not least, there are the people of the

country, whose children have to receive their education and whose whole future is bound up with the nature of the educational policy pursued. These three interests are not—at any rate, are not always thought to be—identical, and I think it is necessary to secure an adequate representation to each one of them. My Lord, I feel that it is only reasonable to ask that, as far as possible, each interest may be represented by about a third of the whole Senate. Thus, taking the case of Bombay, I would fix the number of ordinary Fellows at 150, and of these, I would have 50 nominated by Government, 50 either elected by or assigned to different Colleges, and the remaining 50 thrown open to election by the graduates of different Faculties of more than ten years' standing. In giving representation to Colleges, I would take into consideration all those points which the Government wants to be considered in affiliating an institution. Of course a majority of the representatives of Colleges will as a rule vote with Government nominees, and Government will thus have a standing majority in favour of its views. I would make these Fellowships terminable at the end of ten years, which would provide for 15 vacancies every year. I venture to think, my Lord, such a plan will duly safeguard all the different interests. I may mention that in the new Constitution of the London University, out of 54 Fellows, 17 are elected by graduates, 17 by Professors and teachers, 4 are appointed by the Crown, and the rest are nominated by certain bodies and institutions. Failing the plan which I have suggested, I would support the scheme proposed by the Hon'ble Mr. Justice Guru Das Banerji in his minute of dissent. It is impossible for me to support the proposals put forward on this point by Government in the Bill.

My Lord, I must not discuss any of the details of the

Bill at this meeting, though I have a good deal to say about many of them. But one or two remarks I will offer on two other points, which in my opinion are points of principle. The first is the provision in the Bill to give at least half the number of seats on the Syndicate for the different Faculties to Professors and teachers. My Lord, I am opposed to this provision. I would give a large representation to these men on the Senate, but having done that, I would leave the Syndicate to be composed of those whom the Senate consider to be best qualified. How would the proposed provision work in the case of the Bombay University? In the Faculty of Arts, the provision will not cause any inconvenience, and, as a matter of fact, the present practice is to have half the men in this Faculty from the ranks of Professors. But in the Faculty of Law, what will be the result? There is only one Law School in Bombay, which is a Government institution. The Professors are generally junior barristers, who stick to their posts till they get on better in their profession. They are generally not Fellows of the University. And yet, if this provision is adopted, they will first have to be appointed Fellows, and then straightaway one of them will have to be put on the Syndicate in place of a High Court Judge or a senior barrister, who represents the Faculty at present on the Syndicate. Again, in the Faculty of Engineering, the present practice is to elect eminent Engineers in the service of Government. The Engineering College of the Presidency is at Poona, and it will be a matter of serious inconvenience to insist on one of the Professors of that College being necessarily elected a Syndic. Moreover, my Lord, I really think it is not desirable to prop, thus, by means of the statute, men whom the Senate—and especially the re-constructed Senate

—does not care to put on the Syndicate. Another point on which I would like to say a word is the provision in this Bill that henceforth all institutions applying for affiliation must satisfy the Syndicate that they have provided themselves with residential quarters. In the first place, what is to happen, if they build the quarters, and then find that affiliation is refused? And secondly, I submit that such a condition will practically prevent the springing into existence of new Colleges and will, if made applicable to old Colleges, as the Syndicate is empowered to do, wipe out of existence many of those institutions—especially on this side of India—which in the past have been encouraged by the Government and the University to undertake the work of higher education. I freely recognize the great advantages of residence at a College, but if I have to choose between having no College and having a College without residential quarters, I would unhesitatingly prefer the latter alternative. My Lord, the people of this country are proverbially poor, and to impose on them a system of University education, which even a country like Scotland does not afford, is practically to shut the door of higher education against large numbers of very promising young men.

My Lord, I have spoken at so much length at this stage of the Bill, because the issues involved in this attempt at reform are truly momentous. I confess that there is a good deal in this Bill with which I am in hearty sympathy. But the main provisions of the Bill are so retrograde in character that it is impossible for me to support the measure. My Lord, I have already admitted and I admit again, that there are serious defects in the methods of teaching and of examination pursued at present in this country. But the present Bill in my opinion offers

no remedy calculated to cure the evil. I really think, my Lord, that the Government has begun the work of University reform at the wrong end. It is not by merely revolutionizing the constitution of the Universities that the object which all well-wishers of education in this land have equally at heart will be attained. It seems to me that the first step in the work of real reform is for Government to make its own Colleges model Colleges, and bring out from England the best men available for this work. I would place them on a level with members of the Civil Service, as regards pay and promotion. When I think of the great responsibilities of these men—of how much of the future of this country and of British rule depends upon the influence they succeed in exercising on the young minds committed to their care—and when I think of the more or less stereotyped character of the work which a majority of the Civilians have at present to perform, I am astonished that Government does not see how necessary it is to secure even a better type of men for its Colleges than for the administration of the country. If Government will bring out only the best men available—men who know how to combine sympathy with authority and who, for their learning and character, will continue to be looked up to by their pupils all their life—there will, in a few years, be a marked change in the tone of Government Colleges in India. And the private Colleges will find themselves driven to work up to the level of Government institutions. One word more on this subject and I have done. Let not Government imagine that unless the education imparted by Colleges is the highest which is at the present day possible, it is likely to prove useless and even pernicious; and secondly, let not the achievements of our graduates in the intellectual field be accepted as the sole, or even

the most important, test to determine the utility of this education. I think, my Lord—and this is a matter of deep conviction with me—that, in the present circumstances of India, all Western education is valuable and useful. If it is the highest that under the circumstances is possible, so much the better. But even if it is not the highest, it must not on that account be rejected. I believe the life of a people—whether in the political or social or industrial or intellectual field—is an organic whole, and no striking progress in any particular field is to be looked for, unless there be room for the free movement of the energies of the people in all fields. To my mind, the greatest work of Western education in the present state of India is not so much the encouragement of learning as the liberation of the Indian mind from the thralldom of old-world ideas, and the assimilation of all that is highest and best in the life and thought and character of the West. For this purpose not only the highest but *all* Western education is useful. I think Englishmen should have more faith in the influence of their history and their literature. And whenever they are inclined to feel annoyed at the utterances of a discontented B.A., let them realize that he is but an accident of the present period of transition in India, and that they should no more lose faith in the results of Western education on this account than should my countrymen question the ultimate aim of British rule in this land, because not every Englishman who comes out to India realizes the true character of England's mission here.

[At a meeting of the Imperial Legislative Council held on the 18th March 1904, His Excellency Lord Curzon presiding, the Hon. Sir Raleigh moved that the Report of the Select Committee on the Bill to amend the law relating to the

Universities of British India be taken into consideration. In opposing it, the Hon. Mr. G. K. Gokhale spoke as follows :—

My Lord, it is only two weeks to-day since the Government of India carried through the Council a highly controversial measure, which had evoked a perfect storm of hostile criticism throughout the country. The echoes of that controversy have not yet died out, when the Council is called upon to consider and pass into law another measure even more contentious and vastly more important than the last one. My Lord, if the position of those who opposed the Official Secrets Bill on the last occasion was, from the beginning, a hopeless one by reason of the large majority which the Government can always command in this Council, that of those who deem it their duty to resist the passage of the Universities Bill to-day is even more hopeless. In the first place our ranks, thin as they then were, are even thinner to-day. Two of our colleagues who were then with us, are, in this matter, against us and will no doubt give their powerful support to the Government proposals. Secondly, Anglo-Indian public opinion, which was, if anything, even more pronounced than Indian public opinion in its condemnation of the Official Secrets Bill, is, in regard to this measure, for the greater part, either silent or more or less friendly. Thirdly, both Your Lordship and the Hon'ble Member in charge of the Bill are recognized to be distinguished authorities on educational matters, and the Government have further strengthened their position by the appointment to this Council of four prominent educationists from four different Provinces for the special purpose of assisting in the passage of this Bill. Last but not least, not only do the

Government attach the greatest importance to this measure, but they also feel most keenly on the subject, as was clearly seen in December last, when the Hon'ble Member in charge of the Bill, in replying to some of my observations, spoke with a warmth which, from one of his equable temper and his philosophic cast of mind, must have surprised the Council, and when even Your Lordship—if I may be permitted to say so—spoke in a tone of severity which I ventured to feel I had not quite deserved. My Lord, it is a matter of every-day human experience that, when men feel strongly on a point, there is a smaller chance of their appreciating properly the case of their opponents than if there were no feeling involved in the matter. The fight to-day is thus for several reasons even more unequal than on the last occasion. But those who are unable to approve the proposals of Government feel that they have an obvious duty to perform in the matter, and they must proceed to the performance of that duty, however heavy may be the odds against them.

My Lord, what is this measure of University reform, round which so fierce a controversy has raged for some time past? Or I will ask the same question in another form. What is it that this Bill seeks to achieve, which could not have been achieved without special legislation? For an answer to this question we must turn to the provisions of the Bill, and these provisions we may classify under three heads. First, those dealing with the expansion of the functions of the Universities; secondly, those dealing with the constitution and control of the Universities; and, thirdly, those dealing with the control of affiliated Colleges. Of these, I would willingly have assented to the last group, had those provisions stood by themselves—unaccompanied by the constitutional changes

proposed in the Bill. My Lord, no true well-wisher of the country can object to the Universities in India exercising a reasonable amount of control over their Colleges, as such control is necessary to enforce properly those obligations which affiliated institutions are understood to accept when they come forward to undertake the responsibility of imparting higher education. But there are reasons to fear that, in the hands of the reconstituted Senates and Syndicates, these provisions will operate to the prejudice of indigenous enterprise in the field of higher education, and this, of course, largely alters their complexion. But whether one's fears on this point are well or ill-founded, one thing is clear—that the present Bill was not needed to enable Universities to exercise this control over their Colleges. For the University of Madras has, under the existing law, framed regulations for this purpose, which are substantially the same as those contained in this Bill; and what Madras has done, the other Universities could very well do for themselves. Surely, all this convulsion, which the Bill has caused, was not necessary to enable these bodies to do that which they have the power to do under the existing law! Again, in regard to the provisions empowering the Universities to undertake teaching functions, I hope I am doing no injustice to the authors of the Bill, if I say that they themselves attach only a theoretical value to these provisions. The Allahabad University has possessed these powers for the last sixteen years, and yet that University is as far from undertaking such functions as any other in India. The truth, my Lord, is that, in addition to other difficulties inherent in the position of our Universities, their conversion into teaching bodies, even to the limited extent to which it is possible, is

essentially a question of funds, and as there is no reason to assume that private liberality will flow in this direction after the Bill becomes law, and Government will not provide the resources necessary for the purpose, these enabling clauses are, as in the case of Allahabad, destined to remain a dead letter for a long time to come. The Government themselves do not seem to take a different view of the matter, as, after including these provisions in the Bill, they are content to leave the rest to time, with the expression of a pious hope that some day somebody will find the money to enable some University in India to undertake teaching functions! While, therefore, I am prepared to recognise that these provisions embody a noble aspiration, I must decline to attach any great value to them for practical purposes, and, in any case, they are no set off against the drastic changes proposed in the constitution of the Universities. We thus see that for enabling the Universities to exercise efficient control over their Colleges this Bill was not required at all; while, though new legislation was necessary to enable the older Universities to undertake teaching functions, a Bill so revolutionary in character was not needed for the purpose. The claim of the Bill to be regarded as an important measure of reform must, therefore, rest on, the provisions dealing with the constitution and control of the Universities. My Lord, I have tried to examine these provisions as dispassionately as I could and to put as favourable a construction on them as possible; and yet I cannot resist the conclusion that, while the good they may do is at best problematical, the injury that they will do is both certain and clear. In the minute of dissent which I have appended to the Select Committee's Report, I have discussed at some length the real nature

and the probable effect of these provisions. I have urged there five principal objections to the constitutional portion of the Bill, namely, (1) in making a clean sweep of existing Senates and in giving them no voice whatever in the nomination of the first new Senates, the Bill inflicts an unmerited indignity on men who have on the whole done good work in the past; (2) the Bill fails to provide for election by Professors, and yet this is the class of men that has more immediate interest than any other in the deliberations of the University; (3) the numbers of the new Senates are fixed too low; (4) the proportion of seats thrown open to election is too small, while that reserved for Government nomination is too large; and (5) the five years' limit to the duration of a Fellowship aggravates the evil of an overwhelming number of seats being in the gift of Government. And I have expressed my belief that the effect of these provisions will be virtually to dissociate the Indian element from the government of the Universities and to put all directive and administrative power into the hands of European Professors within such limits as the Government may allow. The supporters of the Bill practically admit the correctness of this contention by saying that the main purpose of the Bill is to get rid of the old Senates, which contain a large unacademic element, and to create new Senates, which shall be academic in their composition, under guarantees of their always retaining this character. It is urged by these men that, as the Universities are intended for imparting Western education, it is only proper that their direction should be mainly in the hands of Europeans; and we are further told that the presence of a large unacademic element in the existing Senates has tended to lower the standard of University education and to impair

discipline. Especially has this been the case, so we are assured, with the University of Calcutta, and a writer, writing under the name of 'Inquisitor,' has spent considerable industry and ingenuity in demonstrating how both efficiency and discipline have suffered as a result of Indians—especially Indians unconnected with the profession of teaching—having a substantial voice in the deliberations of that University. My Lord, I am myself personally unacquainted with the working of the Calcutta University, but I have made inquiries, and I find that, while there may be some room for the complaint which 'Inquisitor' makes, the evil has been greatly exaggerated, and, in any case, there are facts on the other side which he might well have included in his statement. For instance, he might have told us that in 1881 no less an educationist than Sir Alfred Croft brought forward a proposal for removing classical languages from the list of compulsory subjects, and it was mainly by the votes of the Indian Fellows present and by the casting vote of the chairman that the proposal was rejected. I would like to know how the Hon'ble Mr. Raleigh or the Hon'ble Dr. Bhandarkar would regard such a proposal to-day. Again, we find that, in 1893, a Committee consisting almost entirely of educational experts, including several prominent European educationists, declined to approve a rule laying down that no teacher in a recognized school should teach more than sixty pupils at the same time, Dr. Gurudas Banerjee being the only member of the Committee who stood out for such a rule. In 1894, on a motion brought forward by Surgeon Colonel McConnell, supported by Professor Rowe and Surgeon Colonel Harvey, the regulation which required candidates for the M.D. degree to have passed the B.A. examination was rescinded,

and it is worth remembering that the motion was opposed by an Indian member, Dr. Nil Ratan Sarkar. Even in the well-known case of a prominent Calcutta College, when a serious charge was brought against the working of its Law Department, it is a remarkable circumstance, which, 'Inquisitor' might have mentioned, that the Syndicate, which proposed a temporary disaffiliation of the Law branch of the College, was unanimous in making the recommendation, and of the nine members who voted for this proposal, seven were Indians, six of them being again unconnected with the profession of teaching. My Lord, I have mentioned these few facts to show that a wholesale condemnation of Indian Fellows—even of such of them as have been unconnected with the work of education—is neither fair nor reasonable, and that the position in reality comes very much to this—that, when Englishmen have proposed changes in the existing order of things, nothing is said, but, when similar changes have been proposed by Indian Fellows, the cry that efficiency or discipline is in danger has been raised without much hesitation by those who would like to keep the management of University affairs mainly in European hands.

My Lord, if any one imagines that the passing of this Bill will lead to an improvement in the quality of the instruction imparted in Colleges, he will soon find that he has been under a delusion. Even those who make the more guarded statement that the Bill, by providing an improved machinery of control, will bring about a steady and sure reform in the character and work of affiliated institutions, will find that they have been too sanguine in their expectations. My Lord, after nearly twenty years' experience as a teacher I lay it down as an incontestable proposition that a teacher's work with his students is but

deliberations of a University, and that, ~~that~~ that he is unable to exercise on their minds that amount of influence which should legitimately belong to his position, he may look within himself rather than at the constitution of the Senate or the Syndicate for an explanation of this state of things. Of course in regulating the courses of instruction, and prescribing or recommending text-books, the University determines limits within which the teacher shall have free scope for his work. But these courses of instruction, once laid down, are not disturbed except at considerable intervals, and in regard to them as also in regard to the selection of text-books the guidance of the expert element is, as a rule, willingly sought and followed. The substitution of an academic Senate for one in which there is a considerable mixture of the lay element will no doubt effect some change in the character of the University debates; but that cannot affect the work done in Colleges in any appreciable degree. For an improvement in this work, we want better men, more money and improved material. The first two depend, so far as Government Colleges are concerned, on the executive action of Government, which could be taken under the old law and which has no connection whatever with the present Bill. And when an improvement takes place in the manning and equipment of Government institutions, the private Colleges will find themselves driven, as a matter of course, to raise their level in both these respects. As regards improvement in the material on which the College Professors have to work, that depends on the character of the instruction imparted in secondary schools, and the character of the examinations prescribed by the University. Of these two factors, the education given in High Schools is not affected by this Bill

and the character of the examinations, which I have long felt to be most unsatisfactory, will continue practically the same under the new *regime* as under the old, since examiners will continue to be drawn from the same class as now, and the conditions of their work will also continue the same.

Unless, then, there is an improvement in the manning and equipment of Colleges, and in the quality of the material on which Professors have to work, it is idle to expect any improvement in the work done in these Colleges. My Lord, I go further and say that, even if better men and more money and improved material were available, the improvement is bound to be slow. The three factors of men, money and material will have to act and re-act on one another continuously for some time before a higher academic atmosphere is produced, without which there can be no real elevation of the standard of University education. To this end, the Bill has, as far as I see, very little contribution to make. There is, indeed, one way in which the Bill can help forward such a result, and that is—if under its operation the Universities are enabled, by funds being placed at their disposal, to establish University chairs. The institution of such chairs, especially if supplemented by a large number of research scholarships in the different Provinces for advanced students, will powerfully stimulate the creation of that higher academic atmosphere of which I have spoken. But it seems this is just the part of the Bill which will not come into operation for a long time to come. It will thus be seen that the Bill has very little connection with the improvement of the work done in the affiliated Colleges of the Universities. It may, however, be said that the creation of academic Senates is in itself a desirable end, since, in other coun-

tries, the government of the Universities is in the hands of those who are engaged in the work of teaching. My Lord, my reply to this argument is that the whole position is exceptional in India; and that it is not fair to the people of this country that the higher education of their children should be under the exclusive control of men who want to leave this country as soon as they can, and whose interest in it is, therefore, only temporary. Of course, the Professors must have a substantial voice in the deliberations of our Universities; but with them must also be associated, almost on equal terms, specially for the purpose of determining the broader outlines of educational policy, representatives of the educated classes of India. And, my Lord, it is because the Bill proposes to ignore this aspect of the question, and practically reverses the line of policy adopted by Government in this matter for the last half a century that I look upon the measure as a distinctly retrograde one. The highest purpose of British rule in India, as I understand it, is not merely to govern the country well, but also to associate, slowly it may be, but steadily, the people of this country with the work of administration. In proportion as a given measure helps forward this purpose, it makes for true progress. Whatever, on the other hand, has the contrary tendency deserves to be declared as reactionary. There is no doubt whatever that under this Bill the proportion of Indian members in the Senates of the different Universities will be much smaller than at present. The Fellows elected by graduates will as a rule, be Indians; the Faculties will consist almost entirely of Government nominees and of such other persons as these nominees may co-opt. There is not much room for the hope that any considerable proportion of the Fellows elected by these Faculties will be Indians. As

regards Government nominations, their choice will naturally first fall on European educationists; then will come European Judges, Barristers, Civilians, Engineers, Doctors and such other people. As the numbers of the new Senates are now to be very small, one can easily see that there is hardly any margin for the inclusion of any except a very few most prominent Indians in the Government list. The Senators of the future will thus be dominantly Europeans, with only a slight sprinkling of Indians just to keep up appearances. And it is these Senates and the Syndicates elected by them that are armed with powers of control over affiliated Colleges, which may easily be abused. My Lord, it fills me with great sadness to think that, after fifty years of University education in this country, the Government should have introduced a measure which, instead of associating the Indian element more and more with the administration of the Universities, will have the effect of dissociating it from the greater part of such share as it already possessed. I think the ascendancy of Englishmen in India in any sphere of public activity should rest, if it is to be of real benefit to the country, on intellectual and moral, and not on numerical or racial grounds. My Lord, in your speech on the Budget of last year, Your Lordship thought it necessary to address a caution to the opponents of this Bill. You asked them not to assume that 'all the misguided men in the country were inside the Government, and all the enlightened outside it.' If any of the critics of this Bill had ever made such a preposterous assumption, they well merited the caution. But it sometimes seems to me that the supporters of this Bill argue as though the reverse of that assumption was justified, and that every one who was opposed to this Bill was either a misguided person or an interested agitator. My

Lord, I do hope that, whatever our deficiencies, we are not really so dense as to be incapable of understanding what is now our interest, and what is not, nor, I hope, are we so wicked and ungrateful as to bite the hand that is stretched to feed us. It is because we feel that this Bill is of a most retrograde character and likely to prove injurious to the cause of higher education in the country that we are unable to approve its provisions, and it is because I hold this view that I deem it my duty to resist the passage of this Bill to the utmost of my power.

[At the same meeting, while the Report of the Select Committee was being considered, the Hon'ble Mr. Gokhale moved that, from the preamble, the word "Bombay", wherever it occurs, and the reference to Act XXII of 1857 be omitted, and the words "except Bombay" be added after the words "British India." He said :—]

My Lord, my object in moving this amendment is to enter my protest at this Council against the Government of India proposing to deal in one Bill with five different Universities, having different histories and growth, and to raise my voice in a formal manner against the unjust condemnation which this Bill impliedly passes on the work and character of the Bombay University as at present constituted. In the course of the discussions in the Select Committee over this Bill, the case of the Calcutta University was again and again mentioned to justify the inclusion within the Bill of provisions to which exception was taken on the ground that they were unnecessary and might even prove harmful in other Provinces. We were repeatedly told that the Calcutta University had drifted into such a position that there was no hope for it without a drastic measure of reform, such as is contemplated in this Bill. My Lord, if the state of things in Calcutta was really so

hopeless, what was there to prevent the Government from undertaking an amendment of the Calcutta University Acts on such lines as they thought proper? The wisdom and foresight of those who passed the original Acts of Incorporation for the three older Universities had made it easy for the Government to adopt such a course. Those Acts were identical in their wording, and yet they were passed separately for each one of the three Universities, so that whatever amendment was subsequently found necessary as a result of the special circumstances of each case might be made without interfering with the natural growth of the other Universities. Or, if the Government of India wanted that certain general principles should be introduced or emphasized in the constitution of the different Universities in India, the proper course for them to pursue was to have laid down these principles in a general Resolution, and to have directed the Local Governments to introduce amending legislation to give effect to them without doing any undue and unnecessary violence to the special character and growth of each University. It would then have been possible to legislate for the different Universities in India with a full knowledge of local conditions, and after giving due weight to local objections and criticisms. And we should not have witnessed the spectacle of men generalizing for five Universities from their knowledge of a single University, and assisting in the work of legislation for Universities other than their own, in greater or less ignorance of their special conditions. If the amending legislation for Bombay had been undertaken in the Bombay Legislative Council instead of here, I am confident that the Bill would have been much more satisfactory, as the changes proposed would have had to face the fullest discussion and the closest scrutiny on the spot. My Lord, I

see no justification for extending the provisions of this Bill to the case of the Bombay University; the record of that University is on the whole such that it may well regard it with a sense of satisfaction. It has been a record of powers well and judiciously exercised, of continuous attempts to raise the standard of education by a revision of the courses of instruction from time to time, and in other ways. Take, for instance, the question of the affiliation of Colleges. There are only eleven Arts Colleges in the whole of the Bombay Presidency, and of these, only one is a second grade College, and that is in the Native State of Kolhapur. Of these eleven Colleges, two are Government institutions, four more are in Native States with the resources of these States at their back, two more are maintained by Municipal bodies with the assistance of the Government and of the general public, and only three are private Colleges, of which two are missionary institutions and one only of indigenous growth. All these private Colleges receive substantial grants-in-aid from Government. In the case of not a single one of these Colleges can it be said that it has been started for private gain. Their constant endeavour has been to place better and better facilities for real education at the disposal of their students. All these Colleges, with the exception of the second grade College at Kolhapur, provide residence in College for at least a part of their students. In my College we have built residential quarters for more than half of our students, and two of our Professors reside on College grounds. A large spot of 37 acres in one of the finest localities outside the City of Poona has been secured for the College, and College buildings with residential quarters for the students and houses for Professors have been built thereon. We

are making continuous additions to our library and laboratory, and in fact no effort is being spared to make the College as much a seat of true College life as it is, in existing circumstances, possible. What is true of my College is true of other Colleges in the Presidency also. Only Bombay and Poona have more than one College each, Bombay having three and Poona two. No suggestion has ever been made that any College encourages a spirit of low rivalry such as is justly objected to by the Universities Commission in their Report: there is of course room, great room, for improvement in the Bombay Colleges; but that is, in reality, a question of men and means, and this Bill has no connection with it. Again, it cannot be urged with any regard for fairness that the Bombay Senate has ever attempted to lower the standard of efficiency or discipline. On the other hand, it has steadily striven to raise its standards for the different examinations. Thus, taking its work in the Faculty of Arts, we find that it has extended the old course of three years between Matriculation and B.A. to four years: substituted two examinations in place of the old F.E.A., made History and Political Economy compulsory subjects in the B.A., and raised considerably the standard of English and the classical languages required for the several examinations. In all matters relating to courses of instruction and the selection of text-books it has invariably followed the advice of educational experts. So far as I know, there have been only two occasions of importance on which there has been a difference of opinion between a majority of European educational experts and the general body of the Senate, but these were matters not specially falling within the particular sphere of the experts, and in regard to both of them I think the Senate was right in its decision. One

such occasion was when the Deans of the several Faculties were made *ex-officio* members of the Syndicate. Though the experts opposed this reform at the time, they themselves admit now that it has proved useful. The second occasion was when an attempt was made to introduce examinations by compartments after the Madras system. The reform was recommended by a Committee which included two European educationists—Dr. Peterson and the Rev. M. Scott; but a majority of European experts in the Senate opposed it, and, though the proposal was carried in the Senate, it was subsequently vetoed by Government. But whatever difference of opinion there may be about the soundness or unsoundness of the proposal, I think it is absurd to describe it as an attempt to lower the standard of University education. It may be asked why, if the state of things has on the whole been so satisfactory in Bombay, so many of the European educationists there are supporting the Bill. The answer to that, I think, is simple. By this Bill the Government of India go out of their way to make a present of a permanent monopoly of power to European educationists, and it is not to be expected that they should raise any objection to such a course. One of the strongest supporters of this Bill on our side is our present Vice-Chancellor. He was a member of the Universities Commission and has signed the Commission's Report. Well, twelve years ago, when an attempt was made by the Bombay University to secure an amendment of its Act of Incorporation, Dr. Mackichan took a most active part in the deliberations of the Senate. And he then was strongly in favour of fixing the number of Fellows at 200, of giving no statutory recognition to the Syndicate with or without a Professorial majority, and of leaving a large measure of independ

ence to the University. Of course, he has every right to change his views, but that does not mean that those who now hold the views which he so strongly advocated twelve years ago are necessarily in the wrong. My Lord, it is true that certain educational experts have in the past exercised a commanding influence in the deliberations of our Senate, and it is also true that men who have succeeded to their places have not necessarily succeeded to that influence. But the great educationists who ruled our University in the past did so not merely because they were educational experts but because they are men bound to lead wherever they were placed. Such great influence has also sometimes been exercised by men not actually engaged in the work of teaching. Of the former class, Sir Alexander Grant and Dr. Wordsworth may be mentioned as the most shining examples. Of the latter class have been men like Sir Raymond West, the late Mr. Telang, the late Mr. Ranade and the Hon'ble Mr. P. M. Metha—all lawyers, be it noted. Their influence has been due to their great talents and attainments, their sincere devotion to the cause of higher education, and their possession of that magnetic personality without which no man, however learned, can hope to lead even in a learned assembly. To object to the ascendancy of such men over the minds of their Fellows is really to quarrel with the laws of human nature. My Lord, I submit the Bombay Senate has not deserved to be extinguished in so summary a fashion as this Bill proposes, and I, therefore, move that the Bill be not extended to Bombay.

[At the same meeting, replying to the remarks of other members on his amendment, the Hon. Mr. Gokhale made the following speech :—]

In replying to the speeches made on my amendment

I would first deal with what has fallen from the Hon'ble Sir Denzil Ibbetson. The Hon'ble Member imagines that I have stated that the Senate of Bombay needs no reform whatever, and that things are so satisfactory that everything ought to be kept as it is. My memory does not charge me with having ever said any such thing. I have made two speeches in this Council and written a Note of Dissent. Nowhere have I said that the state of things in Bombay ought to be allowed to continue as it is and that no reform is needed: but because I am not prepared to say that the state of things is wholly satisfactory, therefore, it does not follow that I am bound to accept or approve of every suggestion of those who have undertaken the work of reform. As regards the complaint that we have no alternative remedy to propose, I submit, my Lord, that it is not a just complaint. As a matter of fact, Sir Raymond West, an eminent educationist, had drafted a Bill for reforming the constitution of the Bombay University more than twelve years ago. This had met with the acceptance of a large number of persons interested in the work of education, and, if reference is made to that measure, Government will find that there is an alternative scheme, which would be generally acceptable. The Hon'ble Member says that, if Dr. Mackichan has changed his views after twelve years, that is an argument in favour of this Bill. But when Dr. Mackichan expressed these views he had already been Vice-Chancellor of the University, and if a man's views are in a fluid condition even when he has attained so high a position, I don't think that his change of views should carry so much weight as the Hon'ble Member seems inclined to attach to it.

Then the Hon'ble Sir Denzil Ibbetson says that, if this amendment is accepted, and if some other amendment

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is accepted, and if a third amendment is accepted, there will be very little left of the Bill. I, for one, will rejoice if the Bill is withdrawn altogether. We are not bound to pass a Bill as it stands, simply because it will be useless, if we do not pass the whole of it.

With regard to what has fallen from the Hon'ble Dr. Bhandarkar—the learned Doctor was my Professor at College, and I cannot speak of him or of anything that falls from him except with great reverence—I would ask him to state facts as well as opinions which, I may remark, derive additional weight if based on facts. I would like to know what reforms in the course of instruction were proposed by the experts and resisted by the lay members of the Senate.

The Hon'ble Mr. Raleigh, to whose appreciative remarks about the Bombay University I listened with great pleasure, takes the same view as Dr. Bhandarkar, and he says that he was told by certain educational experts and Professors in Bombay that it was hopeless to get a hearing for any matter of educational reform at the meetings of the Bombay Senate. My answer to that is what I have already given to Dr. Bhandarkar. I would like to know the instances in which this occurred, because facts in this controversy are of more value than mere statements: I would like to know in how many cases attempts were made to introduce measures of reform by the experts, and in how many they were defeated in their attempts by the opposition of the non-expert element.

If these men merely stayed at home and thought that no reform that they proposed was likely to be accepted, and, in consequence, they did not attend the meetings of the Senate, I think their position there was not quite justified. A member should not sit quietly at home under the

impression that he would not get a hearing, and he failed in his duty unless he took active steps to introduce any measure of reform. The Hon'ble Member referred to Mr. Paranjpye of my College and to the evidence he gave when fresh from England. I shall be delighted if the Bombay University allows men like Mr. Paranjpye to regulate their courses of mathematical instruction, but I have here the authority of my friend Dr. Mukhopadhyaya that it is difficult to get the Calcutta University to revise its mathematical courses of instruction because of the opposition of the experts. As a matter of fact, the strongest opposition to reform very often comes from men who are themselves teachers, whose standard is not very high, who are unwilling to read new books and who object to leaving familiar grooves. It is the professors of the Bombay Colleges that have for many years practically ruled the Syndicate, and I would like to know how often they used their power to effect reforms which they now say they have long been anxious to introduce.

[*At the same meeting, the Hon. Rai Sri Ram Bahadur moved that from the preamble the word "Allahabad" and the reference to Act XVIII of 1887 be omitted, and the words "except Allahabad" be added after the words "British India." When some members had spoken against the amendment the Hon. Mr. Gokhale supported it in the following speech.—*]

My Lord, I have really no special knowledge of the state of things in Allahabad, but my curiosity has been aroused by the Hon'ble Mr. Raleigh's speech, and I trust Your Lordship will excuse a brief intervention on my part in this discussion. The Hon'ble Member says that when the Commission took evidence in Allahabad certain witnesses gave evidence to the effect that the

state of things there was not quite satisfactory. Now I would really like to know who these mysterious advisers of the Commission were. They could not have had much weight with the Government, since the Government of the United Provinces has expressed its disapproval of this Bill. They could not be men holding prominent positions in the educational world, since their most prominent educationists are members of the Syndicate, and the condemnation of the Bill by the Syndicate is described by the Registrar to be unanimous or nearly unanimous. They could not also be representatives of the general public, since the 'Graduates' Association, as representing the views of the general public, has expressed its disapproval of this Bill. If certain stray witnesses gave evidence to the effect that the state of things in Allahabad was not satisfactory, surely neither the Commission nor the Government of India were justified in placing that above the opinion of the Local Government and of the educational experts.

My Lord, this question really raises another much larger question, and that is, are the Supreme Government justified—not legally, because they have the power legally—but morally, in over-riding the wishes of the Local Government? The Supreme Government in this matter is merely a representative of authority: it is not a representative of educational knowledge or learning, though, in the present case, particular members of the Government may occupy distinguished positions in the educational world. And as the Government of India only represents authority, and this authority has been delegated for local purposes to the United Provinces Government, when that Government is opposed to a measure like this, I think the Government of India has no moral right to impose a measure like this upon those Provinces.

There is another point about which I would say a word—and that has been suggested to me by the course of this discussion in support of having one and the same Bill for all these different Universities. That argument seems to me to be moving in a vicious circle. We are asked to pass this Bill for all the five Universities together, but we are practically told that, if each University had stood by itself, such a Bill would not have been introduced in its case. Thus the Hon'ble Mr. Raleigh has told us that, had the Bombay University stood alone, such legislation as the one proposed would not have been undertaken. He also says that the Calcutta University is as good as any other. Then Sir Arundel Arundel tells us that, if Madras alone had been affected by the Bill, it would not have been required; the Hon'ble Sir Denzil Ibbetson protests that the Punjab University is not a whit behind any others; and lastly, Mr. Morrison says that the Allahabad University is really the best of all Universities. I would really like to know then which University it is whose sins have brought down upon the heads of all the wrath of the gods.

[At an adjourned meeting of the Imperial Legislative Council, held on Monday the 21st March 1904, His Excellency Lord Curzon presiding, the Hon. Sir T. Raleigh moved that the Indian Universities Bill, as amended, be passed. In resisting the motion, the Hon. Mr. Gokhale delivered the following speech:—]

My Lord, the struggle is over. The opponents of the Bill have lost all along the line; and it only remains for them now to count up their losses—for gains they have had none. Let those who will say what they will; this Bill amounts to an emphatic condemnation, as unmerited as it was unnecessary, of the educated classes of this country. It amounts to a formal declaration on the part of the

Government of India, made with the concurrence of the Legislative Council, that the system of University education which has been in vogue in this country for the last fifty years has been a failure, and that the men educated under that system have proved themselves unworthy of being associated, in any appreciable degree, with the administration of their own Universities. My Lord, I feel that my educated countrymen have a right to complain that this condemnation has been passed on them without giving them a fair hearing. I do not, of course, refer to the hearing which has been given to the opponents of this measure in this Council—for I gladly acknowledge the unfailing courtesy and patience with which the Hon'ble Member in charge has conducted the Bill through the Council—but I refer to the fact that the Government of India decided to make these drastic changes on the one-sided representations of men who considered that because they were engaged in the actual work of teaching, therefore, they were entitled to a virtual monopoly of power in the Universities. Five years ago, when Your Lordship first announced that the Government of India intended taking up the question of University reform, the announcement was hailed with satisfaction and even with enthusiasm all over the country. Last year, speaking on the occasion of the Budget debate, Your Lordship wondered how it was that the appetite of the educated classes for University reform, at one time so keen, had suddenly died down. My Lord, the explanation of the phenomenon lies on the surface. Five years ago, when this question was first taken up, Your Lordship defined your attitude towards University reform in a speech made as Chancellor of the Calcutta University at the Convocation of 1899. In that speech, after pointing out the difference between a

teaching University and an examining University, Your Lordship proceeded to observe as follows :—

Nevertheless, inevitable and obvious as these differences are, there may yet be in an examining University—there is in such institutions in some parts of my own country and still more abroad—an inherent influence inseparable from the curriculum through which the student has had to pass before he can take his degree, which is not without its effect upon character and morals, which inspires in him something more than a hungry appetite for a diploma, and which turns him out something better than a sort of phonographic automaton into which have been spoken the ideas and thoughts of other men. I ask myself, may such things be said with any truth of the examining Universities of India? I know at first sight that it may appear that I shall be met with an overwhelming chorus of denial. I shall be told, for I read it in many newspapers and in the speeches of public men, that our system of higher education in India is a failure, that it has sacrificed the formation of character upon the altar of cram, and that Indian Universities turn out only a discontented horde of office-seekers, whom we have educated for places which are not in existence for them to fill. Gentlemen, may I venture to suggest to you that one defect of the Anglo-Saxon character is that it is apt to be a little loud both in self-praise and in self-condemnation? When we are contemplating our virtues we sometimes annoy other people by the almost pharisaical complacency of our transports; but, equally, I think, when we are diagnosing our faults, are we apt almost to revel in the superior quality of our transgressions. There is, in fact, a certain cant of self-depreciation as well as of self-laudation. I say to myself, therefore, in the first place, is it possible, is it likely, that we have been for years teaching hundreds and thousands of young men, even if the immediate object be the passing of an examination or the winning of a degree, a literature which contains invaluable lessons for character and for life, and science which is founded upon the reverent contemplation of nature and her truths, without leaving a permanent impress upon the moral as well as the intellectual being of many who have passed through this course? I then proceed to ask the able officials by whom I am surrounded, and whose assistance makes the labour of the Viceroy of India relaxation rather than toil, whether they have observed any reflection of this beneficent influence in the quality and character of the young men who enter the ranks of what is now known as the provincial service; and when I hear from them almost without dissent that there has been a marked upward trend in the honesty, the integrity, and the capacity of native officials in those departments of Government, then I decline altogether to dissociate cause from effect. I say that knowledge has not been altogether shamed by her children, grave as the defects of our system may be, and room though there may be for reform. I

refuse to join in a wholesale condemnation which is as extravagant as it is unjust.

My Lord, the generous warmth of this most sympathetic utterance at once kindled throughout the country a great hope, and for a time it was thought that we were on the eve of a mighty reform which would change the whole face of things in regard to higher education in India. A liberal provision of funds for the encouragement of original research and of higher teaching, the institution of an adequate number of substantial scholarships to enable our most gifted young men to devote themselves to advanced studies, an improvement in the status and mode of recruitment of the Educational Service so as to attract to it the best men available, both European and Indian, the simplification of the preliminary tests, with a single stiff examination at the end of the course for ordinary students, so as to discourage cramming as far as possible—these and other measures of reform appeared to be almost within sight. It was, however, not long before the new-born hope that had thus gladdened our hearts was chilled to death, and we found that, instead of the measures we were looking for, we were to have only a perpetuation of the narrow, bigoted and inexpansive rule of experts. My Lord, it has been too freely assumed in the course of the discussions over this Bill that all experts as a body are necessarily in favour of particular changes, and that laymen, on the other hand, as a class, are opposed to them. When the new regime is inaugurated, it will soon be discovered that it is a great mistake to think so. It is a matter of general experience that the greatest opposition to change has generally come from some of the experts themselves—the older men among the experts, who rarely regard with a friendly eye any proposal to

make a departure from the order of things to which they have been long accustomed. The younger experts, on the other hand, always imagine that, unless changes of a radical character are introduced so as to reproduce, in however faint a manner, the condition of things with which they were familiar at their own University, the education that is given is not worth imparting. And as the older experts have naturally more influence, their opposition generally prevails, and in course of time the appetite of the younger men for reform gradually disappears. However, my Lord, I am sure the Council is quite weary now of listening to any more arguments about the rule of experts or any other features of the Bill, important or unimportant. Moreover, I have already twice spoken on the general character of the Bill. And I will therefore now refer to one or two points only, that arise out of this discussion, before I bring my remarks to a close. My Lord, it is to my mind a painful and significant circumstance that the present condemnation of the educated classes has been passed at the instance of men engaged in the work of education. I am astonished that these men do not realize that a part at least of this condemnation is bound to recoil on their own heads. The Hon'ble Mr. Pedler has told the Council of dishonest clerks, unscrupulous managers of Colleges, and convict Graduates. I do hope, for the Hon'ble Member's own sake as much as for the credit of the educated classes, that there has been another and a brighter side to his experience. Else, my Lord, what a sad sense of failure he must carry with him into his retirement! Happily all educationists have not been so unfortunate in their experience nor, if I may say so, so one-sided in their judgments. There have been men among them who have regarded the

affection and reverence of their pupils as their most valued possession, who have looked upon the educated classes with a feeling of pride, and who have always stood up for them whenever anyone has ventured to assail them. One such Professor, within my experience, was Dr. Wordsworth, grandson of the great poet—a man honoured and beloved as few Englishmen have been on our side. Another such man is Mr. Selby, whose approaching retirement will inflict a most severe loss on the Education Department of our Presidency. My Lord, I am aware that it is invidious to mention names; but these two men have exercised such abiding influence over successive generations of students during their time that I feel no hesitation in offering a special tribute of recognition and gratitude to them. Their hold over the minds of their pupils has been due, not only to their intellectual attainments, but also to their deep sympathy with them as a class which they had helped specially to create. I believe that such men have never had occasion to complain that their views on any subject did not receive at the hands of educated Indians the consideration that was due to them. It is through such men that some of England's best work in India is done; it is these men who present to the Indian mind the best side of English character and English culture. It is such men that are principally wanted for the work of higher education in India in the present state of things, and the best interests of both the rulers and the ruled may safely be entrusted to their keeping. I think, my Lord, there is practically no limit to the influence which a truly great Professor who adds to his intellectual attainments, sympathy and love for his pupils may exercise over the minds of Indian students, whose natural attitude towards a teacher, inherited through a long course of centuries, is

one of profound reverence. The recent Resolution of the Government of India on the subject of education strikes the right note when it says: 'Where the problems to be solved are so complex, and the interests at stake so momentous, India is entitled to ask for the highest intellect and culture that either English or Indian seats of learning can furnish for her needs.' If the principle enunciated in this sentence be faithfully acted upon, it will go a long way to counteract the evil which is apprehended from the passage of this Bill. How far, however, this will be done, remains to be seen. Meanwhile, the old order will change, yielding place to new. My Lord, one cannot contemplate without deep emotion the disappearance of this old order; for with all its faults, it had obtained a strong hold on our attachment and our reverence, and round it had sprung up some of our most cherished aspirations. For the present, however, the hands of the clock have been put back; and though this by itself cannot stop the progress of the clock while the spring continues wound and the pendulum swings, there can be no doubt that the work done to-day in this Council Chamber will be regarded with sorrow all over the country for a long time to come.

THE UNIVERSITIES VALIDATION ACT.

[At a meeting of the Imperial Legislative Council, held on Friday the 3rd February 1905, His Excellency Lord Curzon presiding, the Hon. Mr. H. Erle Richards moved for leave to introduce a Bill to validate action taken under the Indian Universities Act 1904. The Hon. Mr. G. K. Gokhale opposed the motion in the following speech:—]

My Lord, I beg to oppose this motion. It was only last night that I received the agenda paper of this meeting and then I saw that it was proposed to introduce a measure of this kind at to-day's Council. There was, however, no copy of the Bill with the agenda paper—there is no copy even now before me on the table—so I was entirely in the dark until I heard the speech of the Hon'ble Member in charge of the Bill about the precise nature and scope of the proposed legislation. Now, my Lord, I respectfully submit that this is somewhat hard on Members of this Council. For I find myself compelled, if I want to enter my protest at all, to speak just on the spur of the moment, without any opportunity to look up facts and references, relying solely on my mere recollection of things. My Lord, I was one of those who did their utmost last year to prevent the passage of the Universities Bill. But having done that, as soon as the Bill was passed, I was among those who recognised the wisdom of the appeal so earnestly made by His Honour the Lieutenant-Governor of Bengal to both friends and opponents of the measure that they should after that bury their differences and in the best interests of higher education endeavour to co-operate with one another to make the Act a success. I should, therefore, have been glad if there had been no occa-

sion for me to oppose any further the proposals of Government in regard to the Universities of India. But as the Government have thought fit to introduce the present measure, and as I disapprove of it most strongly, there is no course open to me but to offer it such resistance as I can. My Lord, I interpret the Hon'ble Member's speech as a practical admission that the notifications which the Chancellors in the different Provinces have issued are illegal and *ultra vires*, and that the action taken under them cannot be sustained. For, if there had been the faintest possibility of the notifications being upheld by the High Courts, the Government, I am sure, would not have taken this unpleasant and not wholly dignified course of coming to the Legislature to validate what they have done. Now, my Lord, one might easily ask the question how such illegal notifications came to be issued, for, with the resources at the disposal of the various Governments in the matter of expert legal advice and in other ways, the public have a right, even in this country, to expect work less careless than that. But when a mistake has been admitted, in public life as in private life, the less one dwells on it the better. But though I do not care to press the question how these notifications came to be issued, I must protest emphatically against the course proposed to be adopted to set right the illegality that has been committed. I think, my Lord, the only proper course for the Supreme Government on this occasion would have been to call upon the various Chancellors to withdraw these objectionable notifications and substitute others in their place more in accordance with the law. Instead of following this plain course, the Government have chosen to come to the Legislature with proposals to remedy, not any defect in the law, but a serious illegality committed in

taking action under the law, and persisted in, in spite of warnings and protests. My Lord, in all civilised countries there is a well-understood and well-defined distinction between the Legislature and the Executive Government, and the Legislature is regarded as higher than the Executive. In India unfortunately this distinction for the most part is of only a nominal character; for, with the present constitution of the Councils, the Executive Government can get what law they please passed by the Legislature without the slightest difficulty. I submit, however, that it is not desirable, it is not wise, that this fact should be forced on the attention of the public in so unpleasant a manner as on this occasion, and I think the distinction becomes a farce if our Legislature is to be thus at the beck and call of the Executive Government, and if it is to be called upon to exercise its powers of legislation to remedy defects, not in existing laws, but in executive action taken under those laws. My Lord, I respectfully, but emphatically, protest against this lowering of the dignity of the Legislature. Of course there is nothing to prevent the Government legally from coming to the Legislature with such proposals as they please. But I venture to think that there are moral limits on the competency of the Government in this matter. I think that the Government should come forward with proposals of amendment only in the event of the existing law being found so defective as to be unworkable, errors in executive action being set right as far as possible by executive action alone. I can imagine a case where, soon after passing a measure the Government suddenly discover a flaw which makes it impossible to carry the measure into practice. In such a case, however, one may regret the necessity of amending legislation, one would be prepared to regard the position of

Government with a certain amount of sympathy. But that is not the case on the present occasion. It is not contended that no executive remedy is possible to set matters right, for, by withdrawing the present notifications and substituting others in accordance with law, the whole difficulty can be got over. The Hon'ble Member has told us that this would involve much loss of precious time and of valuable work already in process of being done. Surely this is not such a calamity as to justify the present proposals. It is true that those who get into power for the first time often imagine that they must begin their reforming work at once, and that the situation cannot brook a moment's delay. Everyone will not, however, necessarily sympathise with such impatience, and some may even welcome circumstances which necessitate their going more slowly. As regards the fear that in some places examinations will have to be postponed unless the election of the present Syndicates is validated, even that need not frighten us much, as examinations have been postponed in the past on account of plague and other difficulties, and there is no great harm if they have to be postponed for a time in any place this year. The Hon'ble Member has further told us that after all the defects that have been discovered in the notifications are of a purely technical character. Now I cannot subscribe to this view of the matter at all. Take, for instance, the formation of the Faculties. If this function had been left to the Senates as required by the law—if it had not been illegally usurped by the Chancellors—we should have had the Faculties formed in accordance with some clear and intelligible principle as in old times. But in what the Chancellors have done there is no such clear principle recognisable. Thus, in Bombay, a man like Mr. Justice Chandavarkar, than whom there are few

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more cultured Fellows—European or Indian—in the Bombay Senate, has been excluded from the Arts Faculty which after all is the most important Faculty, and relegated to the Faculty of Law, which is made to include every Fellow who has taken the L.L.B. degree. So it is not only a mere setting right of technical defects that is involved in this Bill. My Lord, there is another most important question that must be brought to the notice of this Council. I am not sure that I quite followed the Hon'ble Member in what he said about the effect of this Bill on the Syndicates which have been elected under the illegal notifications. I understood him to say, and I speak subject to correction, that the elections would stand. If this be so, I can only protest against what is proposed as a great wrong, at least so far as the Bombay University is concerned, for there the opinion of eminent Counsel had been obtained, which declared that the notification was clearly illegal and *ultra vires*. This opinion had been forwarded to the University authorities before the elections were held, and the only request that was made was that the elections should be postponed till the Chancellor had re-considered the whole question in the light of that opinion. An opportunity was thus given to the party that is anxious to introduce the new order of things to set matters right by cancelling the notification and issuing another in its place. Instead of that, they preferred to hold the elections in accordance with the notification, and now it is proposed to condone the illegality committed with open eyes by means of fresh legislation! My Lord, the unfairness of this arrangement becomes all the more obvious when it is remembered that those who saw the illegality of the notification did not take part in the election beyond entering their protest. They did not

allow themselves to be nominated as candidates: neither did they exercise their undoubted right to vote because of the illegal character of the whole proceeding. On the other hand, those who chose to act on the notification acted as though they were determined to carry out their object, whatever the obstacles in their way. Thus a motion for adjournment, which the Vice-Chancellor, who presided over the Arts meeting, allowed to be put to the meeting one day, was under exactly similar circumstances ruled out of order the next day at the Law meeting by the Judicial Member of the Executive Government, whose interest in University matters was suddenly aroused, and who attended to take the chair—which otherwise would have been occupied by the senior Fellow present, Sir Pherozechah Mehta.

And it is now proposed to support by fresh legislation the illegalities committed in this high-handed manner by those who chose to ignore the warning and opinion of eminent Counsel, and it is proposed to punish those who protested against the illegalities and refrained from being a party to them. I think it is absolutely unjustifiable thus to disfranchise a large number of Fellows and accept the elections made by a handful of men in each group as made by the Faculties, and once more I protest emphatically against the contemplated wrong.

My Lord, these are some of the observations which suggest themselves to me on this occasion. I have been under some disadvantage in having had to speak on the spur of the moment, and I can only trust I have made no mistake in my statement of facts, nor employed stronger language than the exigencies of the situation demanded.

[At a meeting of the Imperial Legislative Council held on Friday the 10th February 1905, His Excellency Lord

Curzon presiding, the Hon'ble Mr. Richards moved that the Bill to validate action taken under the Indian Universities Act, 1904, be taken into consideration. The Hon'ble Mr. Gokhale moved that for the words "the Bill to validate action taken under the Indian Universities Act, 1904, be taken into consideration," in the foregoing motion, the word, "the consideration of the Bill to validate action taken under the Indian Universities Act, 1904, be postponed sine die" be substituted. He said:]

My Lord, last Friday, when I troubled the Council with a few observations on the Bill now before us, I ventured to suggest that the introduction of this measure and the Hon'ble Member's speech in support of it amounted to a practical admission that the notifications issued by the several Chancellors were illegal and *ultra vires*. The Hon'ble Member, however, took exception to my remark, and that makes it necessary that the Council should consider briefly the circumstances connected with these notifications and the position now created by them. For this purpose I would invite the attention of the Council to what has taken place at Calcutta and Bombay, and I take these two Universities, partly because it has been easier for me to obtain precise information in regard to them than in regard to the others during the short time at my disposal, but mainly because the circumstances of the Calcutta University are, or ought to be, within the personal knowledge of several Members of this Council, and at Bombay matters have culminated in a suit being instituted in the High Court. My Lord, I have no wish to-day to stir up the ashes of the controversy that raged round the Universities Bill last year though one may say in passing that some of the fears then expressed by the opponents of the measure about the probable exclusion of independent Indians from

the administration of the Universities are already being more or less realized. What, for instance, can be more lamentable than that, on the present Syndicate of the Calcutta University, four Faculties out of five should be without a single Indian representative, and that in Bombay, a man like Sir Pheroze Shah Mehta, once a Dean in Arts, who, in point of attainments and of zealous devotion to the best interests of the country towers head and shoulders above many of those who have of late been posing as authorities on high education in this land, should be excluded from the Faculty of Arts! However, I know that any further complaint in this Council about the policy of last year's Bill is like ploughing the sands of the seashore, and I have no wish to engage in an enterprise at once so fruitless and so unnecessary. My Lord, I must ask the Council to glance for a while at what may be called the scheme of last year's Act in regard to the constitution of the first Senates and of Provisional Syndicates. That scheme, I contend, is both clear and adequate, and if only ordinary care had been taken to adhere to it, the present difficulties would not have arisen. The scheme is set forth in the several clauses of section 12. First of all, there was to be the election of ten Fellows by Graduates or by old elected Fellows or by both. Then there was to be the appointment of not more than eighty Fellows by the Chancellor. And then there was to be the election or rather co-optation of ten more Fellows by the elected Fellows and Government nominees acting together. This co-optation was to complete the Senate and then the Chancellor was to notify that the Body Corporate of the University had been formed, appending to the notification a list of the new Senate. As soon as this declaration was made, the old Senate and the old Syndicate were to cease

to exist, and the new Senate, *i.e.*, the Body Corporate, was to elect a Provisional Syndicate, in such manner as the Chancellor might direct, the old bye-laws and regulations of the University, continuing in force till new ones were framed, except in no far as they were expressly or by implication superseded or modified. Now two things here are absolutely clear—first, that the election of the Provincial Syndicate is to be by the Senate, *i.e.*, the Body Corporate, and, secondly, whatever discretion might be conferred on the Chancellor by the words ‘in such manner as the Chancellor may direct,’ that discretion is limited, first, by the express terms of the Act and, secondly, by such old regulations and bye-laws as have not been superseded or modified. The Hon’ble Member said last Friday that, unless a very wide meaning was assigned to the words ‘in such manner as the Chancellor may direct,’ there would be a difficulty about fixing the number of the Syndicate. I am surprised at the Hon’ble Member’s argument, for he forgets that the old regulations prescribe the number, and the Act being silent in the matter, that number must stand. On the other hand, the regulations prescribe election by Faculties, but the Act expressly provides for election by the Senate ; therefore the election by Faculties must go. I therefore contend that the scheme of the Act for the constitution of the first Senate and of the Provisional Syndicate is a clear and complete scheme, and the responsibility for the present muddle rests not on those who framed the Act but on those who did not take sufficient care to understand its provisions and exceeded their powers in taking action under it. Indeed, my Lord, I wonder what Sir Thomas Raleigh in his retirement will think of these proceedings in Council and of the justification urged for them, for to my mind they are

little less than a reflection on the patient industry and care with which he elaborated the provisions of the Universities Bill; and I think it will strike him as an irony of fate that, while these proceedings should be initiated by those who were among the most enthusiastic supporters of his Bill, it should have been reserved for an uncompromising opponent of the measure to protest against the charge of unsatisfactory work which they involve against him!

My Lord, I have so far briefly sketched what may be called the scheme of the Act. Let us now see how they have followed this scheme in practice at Bombay and Calcutta. In Bombay the election of ten Fellows by Graduates and by old elected Fellows took place all right. The appointment of eight Government nominees followed in proper form. Finally, these ninety proceeded to co-opt the remaining ten, sitting and voting together as required by the Act. The Bombay Senate was thus regularly constituted and no one has taken any exception to its constitution. Then came the Chancellor's notification about the election of a Provisional Syndicate, in which he arbitrarily divided the Fellows into groups, which he had no power to do, and directed the several groups to meet and vote separately and on separate days, which also he had no power to do. And when the illegal character of the notification was brought to his notice and opinions of eminent lawyers in support of this view were forwarded to him, the University authorities persisted in acting on the notification, with the result that the aggrieved party had to move the High Court for redress! In Calcutta the catalogue of illegalities was even longer. Here the election of ten Fellows by Graduates and by old elected Fellows took place alright and the Chancellor's nominations were

also in regular form. From this point, however, commenced a regular series of irregularities. The ten Fellows to be co-opted were not co-opted by the elected and nominated Fellows sitting and voting together, as required by the Act. The constitution of the Calcutta Senate itself was thus defective. Then the Chancellor divided the Senate into Faculties for the purpose of electing the Syndicate, which he had no power to do. The old regulations which are still in force recognize only four Faculties, but the Chancellor constituted five Faculties on his own responsibility, which was irregular. Under the old regulations every Fellow, *ex-officio* or ordinary, must belong to at least one Faculty; but the Chancellor did not assign the *ex-officio* Fellows to any Faculty, which was irregular. Finally, the Provisional Syndicate was elected by the Faculties, instead of by the Senate, as expressly required by the Act, and this was irregular. And now after all these irregularities have been committed, the Government of India come to the Legislature with a proposal to validate all that has been done! In doing so they ignore the fact that they are interfering with a pending suit, destroying the protection of High Courts which the public prizes above everything else, lowering the dignity of the Legislature, and creating throughout the country a most deplorable impression about the practical irresponsibility of the Executive Government. And yet, when it is said that the action of the Government is a practical admission that the notifications were illegal, the Hon'ble Member thinks it necessary to protest against the inference! My Lord, I think the matter is pretty clear. In any case, the view that the notifications are illegal and *ultra vires* is supported by three distinguished members of the Bombay Bar—two of them being European Barristers, who have

taken no part in recent educational controversies and who occupy the foremost position in their profession at Bombay. Can the Hon'ble Member quote on the other side any authority of equal eminence, of anything like equal eminence, of any eminence at all? Is he prepared to pledge his own reputation as a lawyer to the view that the notifications are legal? And if he is not, I submit that my inference is a fair inference, and I think I am entitled to draw it. The Hon'ble Member complained last time that I had no alternative course to suggest. This was surely a most extraordinary complaint to make, for in the very next sentence he proceeded to show how my suggestion, namely, that the faulty notifications should be withdrawn and others in accordance with law substituted in their place, would involve waste of time and work and prove harmful to the interests of the Universities. My Lord, I really think that it is the duty of the Government, not less than that of private individuals, to face whatever inconvenience has to be faced in obeying the law. And the only proper and dignified course for the Government was to have waited till the Bombay High Court had pronounced its judgment, and, if that decision had been adverse to the Government, to have withdrawn the notifications held to be illegal and to have substituted others in their place framed in accordance with the law, a validating Bill being at the same time introduced to legalize the work done during the interval by the defectively constituted bodies. If, on the other hand, the Court had decided in favour of the Government, nothing further need have been done in the matter unless the decision had been reversed by a higher authority. The Hon'ble Member drew last time a dismal picture of the results, which would produce a state of

uncertainty. That picture, however, need not frighten anybody—at any rate, no one who is acquainted with the inner working of an Indian University. It would not have taken so very long after all to set matters right, and in the interval, the Vice-Chancellor and the Registrar could have carried on the ordinary executive business of the University. And whatever temporary inconvenience had resulted should have been borne as inevitable. Instead of this the Government have chosen to adopt a course which is hardly respectful to His Majesty's Judges—intervening by means of legislation in favour of one party to a pending suit—which lowers the dignity of the Legislature, and which proclaims that the executive authority in this country is practically above law. I decline to be a party to such a course, and I therefore beg to move the amendment which stands in my name.

[*At the same meeting, when the Bill to validate action taken under the Indian Universities Act was being considered, the Hon'ble Mr. Gokhale moved that after clause 1 of the Bill the following clause be added, clauses 2 and 3 being re-numbered 3 and 4, respectively, namely:—"2. Nothing in this Act shall apply to the University of Bombay." He said:—*]

My Lord, I have already twice referred to what has taken place at Bombay, but in asking that the Bombay University be excluded from the operation of this Bill, I must recapitulate once more the facts on which I base my motion, and I hope the Council will bear with me while I do so. The most important difference between Bombay and elsewhere has been this—that while in other places the illegality of the notifications was not discovered before the elections and no formal protests were in consequence made at the time, in Bombay even this plea of acquiescence

on the part of members of the Senate is not available to Government. Of course such acquiescence or the absence of it does not affect the legal position, but it is a moral consideration of very real importance. In Bombay, the illegal character of the notification was perceived as soon as it was issued. The members who perceived it thereupon took legal opinion. They first consulted Mr. Inverarity and the Hon'ble Mr. Setalwad, who both condemned the notification in unequivocal and emphatic terms as illegal. Then they consulted Mr. Lowndes, who was equally emphatic in his condemnation. All three Counsel thought that the illegality was so patent that it had only to be brought to the notice of the Chancellor, and they felt confident that he would see the necessity of withdrawing the notification. Armed with these opinions, Sir Pherozeshah Mehta, himself a lawyer occupying a commanding position at the Bar, and several other Fellows approached the Chancellor and asked for a reconsideration of the question before it was too late. All this was done before the date of the first election. The University authorities, however, took it upon themselves to ignore the whole thing and proceeded to hold the elections as directed in the notification. At the meeting of the Arts group the Vice-Chancellor presided, and he allowed a motion to adjourn so as to give time to the Chancellor to reconsider the matter to be put to the meeting. The next day, the Law group met, the Judicial Member of the Bombay Government, whose interest in University matters has hitherto been by no means conspicuous, attended and took the chair, which otherwise would have been taken by the Senior Fellow present—Sir Pherozeshah Mehta—and flouting the ruling of the Vice-Chancellor of the previous day, ruled a motion for adjournment out of order, and

after a majority of the members present had left the meeting under protest, got the remaining five, including himself, to elect the two representatives for Law. These high-handed proceedings left no option to those who saw the illegality and declined to be a party to it but to go to the High Court. And, on this being done, the University authorities have come to the Supreme Government with an appeal to shield them and save their prestige by means of a validating measure. My Lord, to use the powers of the Legislature for validating what has taken place in Bombay is to abuse those powers, for it means validating illegalities committed in the light of day and in spite of warnings and protests. It means validating high-handedness. It means interfering with a pending suit, which on the part of private individuals is regarded as contempt of Court. It means coming between the aggrieved party and the protection which it has a right to look for at the hands of the High Court. It means securing for the wrong-doer the fruits of his wrong-doing. Finally, it means penalizing those who have declined to be a party to an illegal proceeding and have done their best to have it set right; for, as I pointed out last time, these men did not take any part in the elections—they did not allow themselves to be nominated as candidates, and they did not vote, fully believing that the illegal elections could not be upheld and would have to be set aside; and to uphold the elections now by means of legislation is to disfranchise them. Then, my Lord, there is the question of costs. These men have had to spend money in taking the course they were compelled to take. Counsel do not give their opinion for nothing, neither do they appear to argue a case for nothing and if the matter had been left to be decided by the High Court,

their costs would probably have been awarded to them, if the decision had been in their favour. My Lord, does the Legislature exist for the preparation of what may be called Legislative injustice? Was no other course open to the Government? In Bombay, at any rate, there is no question of the Senate having to be reconstituted. The only thing needed is to withdraw the notification about the election of the Syndicate and substitute another in its place in accordance with law. This could be done at once and the new election might take place in a week's time after that. Surely the University of Bombay can exist for a week without a Syndicate, and even the Hon'ble Member in charge of the Bill will have to admit it when it is remembered that from 8th December, when the notification about the new Senate appeared, to 17th January, when the Provisional Syndicate was formed—i.e., for more than five weeks—there was no Syndicate in Bombay, and the Vice-Chancellor and the Registrar carried on the executive business of the University without any hitch. There is thus no reasonable ground for undertaking the present legislation for Bombay, while there are several most important considerations against the course adopted by the Government. I, therefore, beg to move that the Bombay University be excluded from the scope of the Bill.

[At the same meeting, replying to criticisms on his amendment, the Hon. Mr. Gokhale made the following speech:—]

My Lord, I desire to offer a few observations by way of reply to what has fallen from the Hon'ble Mr. Richards and the Hon'ble Sir Denzil Ibbetson. The Hon'ble Mr. Richards began by saying that the confusion that has been caused is admitted by everybody, but this Council is not the place where the legality or otherwise of the notifica-

tions issued by the Chancellors can be profitably discussed. I am inclined to agree with him, but he will not allow me to discuss it anywhere else. As a matter of fact, my friends have taken the matter to the High Court, which is surely a properly constituted body to discuss the legality or otherwise of what has been done. But the Hon'ble Member will intervene before the High Court has delivered its decision, and he will pass a law which will take the matter out of the jurisdiction of the High Court, so that, if I may say so, the responsibility for the question being raised here is the Hon'ble Member's and not mine.

Then, my Lord, the Hon'ble Member said that the Provisional Syndicate is only a transitory body and therefore so much fuss need not be made over the manner in which it has been constituted. He said, after all, what will the Provisional Syndicate do? It will attend to the duty of conferring degrees and to a few small details of executive administration. He forgets, however, that the principal work of this Provisional Syndicate will be to draft the regulations which afterwards are to govern the conduct of the business of the University. In Bombay, no matter can be first brought before the Senate until it has been first considered by the Syndicate, and therefore the whole future administration of the University really depends in a measure upon the Provincial Syndicate, and one can easily see how important it is to have it properly constituted.

The Hon'ble Sir Denzil Ibbetson has referred to what was in the mind of the Select Committee when these transitory provisions were framed. I, too, was a member of the Select Committee, but I did not refer before this to what took place in the Select Committee, because I understood that a reference to the proceedings of the Select

Committee was not allowed, as they are confidential. However, I may very well follow the example of the Hon'ble Member, and I may say this: if my recollection is right, the Select Committee did not intend that the Provisional Syndicate should be constituted as it has been in so many places. As a matter of fact, I remember it being said that the principal work of the Provisional Syndicate would be the drafting of rules and regulations, and for that it would be necessary to have a body of men who had the confidence of the whole Senate, and that was necessary to provide.

The Hon'ble Member proceeded to say that, unless the Chancellor had given certain specific directions, there would have been confusion, as there was conflict between the Act and the old regulations.

I think, however, that this fear was groundless. The Act of last year contemplates three authorities being put together before any action is taken. There is, first of all, the Act, which is of course above everything else. After the Act come the regulations, which have not been expressly or impliedly superseded. If there is any conflict between the two, the Act prevails and the regulations go. If there is nothing to bring about a conflict between the two, the regulations supplement the Act. It is only after the Act and after the regulations that the discretion of the Chancellor comes in. The discretion of the Chancellor is to support the regulations and the Act, and not to twist the express language of the Act or of the regulations that are already in force so as to suit his own view of things. If you take these three things together, what do you see? You first of all see that the Act requires that the election shall be by the Senate. Therefore, if the old regulations say that the election should be

by Faculties those regulations are to that extent inoperative. Again, if the old regulations say that the number shall be so and so, the number is not left to the Chancellor. However, I do not wish to elaborate this point any further. The Hon'ble Member said that the Chancellor of Bombay had scrupulously followed the old regulations in the grouping of the members of the Senate. The Hon'ble Member is entirely mistaken. In old times, where a man held a degree in more Faculties than one, he was appointed a Fellow in all those Faculties. The Chancellor, however, has arbitrarily restricted the members to certain Faculties. For instance, Sir Pherozeshah Mehta holds only an Arts degree, so far as the Bombay University is concerned. He has, however, been relegated to the Law Faculty and removed from the Faculty of Arts. Under the old regulations this would not have been possible.

I do not think that I need detain the Council further. The defects that you are going to validate are not merely technical, and there is an important principle involved, and I therefore submit that the Bill should not be proceeded with.

[At the same meeting on the motion of the Hon. Mr. Erle Richards that the Bill, as amended, be passed, the Hon. Mr. Gokhale spoke as follows:—]

My Lord, I have already spoken thrice on this Bill, but I cannot let it pass without a final word of protest. My Lord, British rule in this country has hitherto been described—and on the whole, with good reason—as the reign of law. A few more measures, however, like the present, and that description will have to be abandoned and another substituted for it, namely, reign of Executive irresponsibility and validating legislation. My Lord, the Government are paying too great a price for what is

undoubtedly an attempt to save the prestige of its officers. But is prestige ever so saved? On the other hand, an occasional admission of fallibility is not bad—especially for a strong Government like the British Government. It introduces a touch of the human into what ordinarily moves with machine-like rigidity. It enhances the respect of the people for law, because they are enabled to realize that even the Government respects it. And it strengthens the hold of the Government on the people, because they see that, in spite of its strength, it has a tender and scrupulous regard for the limitations imposed by the Legislature upon it. My Lord, may I, in this connection, without impertinence say one word about Your Lordship personally? Whatever differences of opinion there may be in the country about some of the measures of Your Lordship's administration, the impression hitherto has been general that during your time the Local Governments and Administrations have had to realize more fully than before that there is a controlling and vigilant authority over them at the head, and that this authority will tolerate no irregularities on their part. It is a matter of disappointment that this impression should not have been justified in the present instance. My Lord, public opinion in this country being as feeble as it is, the only two bodies that control the exercise of absolute power by the Executive are the Legislature which lays down the law, and the High Courts which see that the law is obeyed. If now the Government is to destroy the protection which the High Courts afford by means of validating legislation, and if the Legislature is to be reduced to the position of a mere handmaid of the Executive to be utilized for passing such legislation, what is there left to stand between the people and the irresponsible will of the Executive? My Lord, I

feel keenly this humiliation of my country's Legislature ; for though we, Indian Members, have at present a very minor and almost insignificant part in its deliberations, it is after all our country's Legislature. Moreover, I have a faith that in the fulness of time our position in it will be much more satisfactory than at present, and anything that lowers it in the eyes of my countrymen cannot but be regarded with profound regret. My Lord, I will vote against the passing of this Bill.

CO-OPERATIVE CREDIT SOCIETIES.

[At a meeting of the Imperial Legislative Council, held on Wednesday the 23rd March 1904, His Excellency Lord Curzon presiding, the Hon. Mr. Sir Denzil Ibbetson moved that the Bill to provide for the constitution and control of Co-operative Credit Societies, as amended, be passed. The Hon. Mr. G. K. Gokhale supported the motion in the following speech :—]

My Lord, after the continuous opposition which it has fallen to my lot to offer to two important measures of Government during this session, it is both a pleasure and a relief to me to find myself in a position to give my cordial and unequivocal support to the present Bill. The proposed legislation is no doubt only a modest measure, so far as its provisions go. But it authorizes a cautious and interesting experiment, which, if it attains any degree of success, cannot fail to exercise a wide and far-reaching influence, especially on the condition of the agricultural classes in India. My Lord, in the growing indebtedness of the Indian agriculturist and the steady deterioration of his general position, the Government of India is called upon to face one of the grave problems that can confront a civilized administration. The difficulties of the situation are enormous and they can be overcome, if they are overcome at all, only by a long course of remedial action, wisely determined, sympathetically undertaken and steadily and patiently adhered to in spite of discouragement and even temporary failure. Such action must include a series of cautious measures, intended both to bring him help and relief from outside, and to evoke or strengthen in him those qualities of prudence, thrift, self-reliance and

resourcefulness, without which outside help can do him no great or permanent good. The present Bill is a measure of the latter kind, and though no one can say how far it will prove successful, its operation will be watched by every one interested in the future of the country with deep interest and in a spirit of hope.

My Lord, in a matter of this kind the function of the Legislature must be confined only to the removal of any special obstacles that may stand in the way. When that is done, the success of the experiment must depend almost entirely upon executive action and the spirit in which and the extent to which the classes concerned and those who are interested in their welfare come forward to co-operate with the Government. For this reason the present Bill cannot be considered apart from the line of practical action which it is proposed to take when the Bill becomes law. This line has been indicated with sufficient fulness in the two luminous speeches made by the Hon'ble Member in charge of the Bill since the introduction of this measure. And the few remarks which I propose now to offer have reference both to the provisions of the Bill, and to the executive measures outlined by the Hon'ble Member to give effect to those provisions.

My Lord, the measure as amended in Select Committee is a considerable improvement on the original Bill, and will no doubt work better in practice. However, the general scheme formulated appears to me to be incomplete in important particulars. To these I beg leave to draw the attention of the Government in the hope that the bounds of executive action will be so enlarged as to place the success of the proposed measure beyond reasonable doubt.

My Lord, the first thing that strikes me on a consideration of the whole question is that there is no provision

in the proposed scheme for a preliminary liquidation of the existing debts of those who wish to avail themselves of the opportunity now offered, to improve their position. In making this observation and those which follow, I have in view the condition of the agricultural population only, and I look upon the Bill, though its provisions may be availed of by non-agriculturists, as one intended specially for the benefit of the agricultural community. It is true that the Bill aims merely at organizing on a co-operative basis the credit of these classes, but such organization, if it is to benefit any considerable proportion of the agriculturists, must be preceded by a liquidation of existing usurious debts. Speaking with special reference to the Bombay Presidency, I may say that our agriculturists may be roughly divided into three classes :—(1) Those who are yet free from debt. These, I believe, form a small proportion of the total number. (2) Those who have already got into debt, but not to such an extent as to be hopelessly involved and who are making honest efforts to keep their heads above water. These, I believe, constitute a considerable proportion of the agricultural population. And (3) those who are so heavily indebted as to be hopelessly involved. These, I fear, are a very large class. Of these three classes, I don't expect that many members of the first class will for the present, at any rate, care to join the proposed societies as the principle of unlimited liability is sure to frighten them ; while the third and last class is beyond the reach of such remedial action as this Bill contemplates. The men, therefore, who will principally form these societies, if the proposed measure attains any degree of success, are those that belong to the second class, namely, those who have already got into debt but whose position has not yet become hopeless and who are, moreover, making honest

attempts to save themselves from prospective ruin. These men, however, have not much credit left free to be brought into the co-operative organization and, unless they are helped to effect a clearance of existing liabilities on reasonable terms, no new banking organisation created for their benefit, whether it takes the form of Agricultural Banks or of Co-operative Credit Societies, can prove of much help to them. The need for such preliminary liquidation was recognized by the Government of India in 1884 in the following terms:—"Improvidence of cultivators and uncertainty of seasons are elements which are liable to interfere with a bank's success, and these difficulties might be met by prudent management; yet the bank could not hope to succeed unless it could start in a field where the agricultural classes were unencumbered with debt or were enabled to liquidate their existing debts on reasonable terms." Such a liquidation was carried out in Germany and elsewhere through the agency of special banks and the ground was cleared for the operation of the new banking organizations. The resources of the proposed societies will be extremely limited, and it is out of the question that they can by themselves find the funds necessary for such liquidation. The Government must come to their help in this matter and, if such help is not offered, the proposed experiment will have but small chance of proving successful.

Section 7 lays down for rural societies the principle of unlimited liability except in special cases. Responsibility for *pro rata* contributions to the repayment of a society's debts would be a desirable limitation on the liability of members, as is allowed in the German Law of 1889. Unlimited liability no doubt strengthens the position of the societies greatly in the money-market; but it is a princi-

ple which our raiyats in many parts of rural India can scarcely be made to understand. Each member to be liable in all his property for his society's debts—this is to them an entirely foreign idea, and in most parts, it is to be feared, would deter people from joining such associations. Responsibility in equal shares on the common partnership principle may be better appreciated and would be enough for a start. In Germany, the principle of unlimited liability is an old time-honoured economic tradition, and works admirably. It is the keystone of Schulze and Raiffeisen societies. Elsewhere, in Italy and other countries, it has had to be acclimatized with immense toil. In India, where every such thing is new, I fear it will be a mistake to aim at too much at the start. Insistence on such a principle would keep away from the new societies those very classes whose help and co-operation would be indispensable.

As regards funds, the societies are allowed to receive deposits from their members, and borrow from outsiders. No other financial resource is provided for. This to my mind is the weakest part of the scheme. Even in European countries, such popular banks (*e.g.*, the Schulze-Raiffeisen and Luzzatti-Wollemberg Societies) do not depend exclusively on deposits and loans. In India, as regards deposits, looking to the condition of economic exhaustion and material resourcelessness which at present prevails in the rural parts, such deposits from those who might join these societies cannot be expected to flow in either fast or in any large volume. The associations would be mainly and for years more or less borrowing associations. As to loans it is somewhat surprising to find that the Bill allows the credit societies to borrow from 'persons who are not members' though, of course, under restrictions. The

money-lender thus comes in and there is no guarantee that he will not exact usurious interest. Besides, where protracted periods of misfortune intervene, like the past decade in the Dekkhan, there is present the risk of these societies getting into the clutches of the money-lender just as individual raiyats now do. The risk may be obviated and the financial position of the new societies improved in two distinct ways, as is done in European countries. First, these rural societies should not be left to shift for themselves as best they could, as isolated units, but might be allowed to be federated into unions for mutual support and help, and these unions linked to a Central Bank, which might serve as an intermediary between them and the money-market and also help to equalize funds by lending the surplus of some to meet the needs of others. Each District might have a Central Bank of this nature to which the rural unions would be affiliated on a joint stock basis and to serve as a focus of business. Further, these District Central Banks might be linked on to the Presidency Banks, one for each Presidency or Province. Some such scheme of filiation might materially help these societies and to a large extent remove the difficulty of financing them. However, I fear the realization of such a scheme must be the work of time and must be preceded by the proposed societies attaining in their own places a certain measure of success, however limited it may be. But there is another resource, which might be made available to these societies without any difficulty, and it is that these societies might be allowed to have each a savings bank attached to it, as is done in Germany and Italy. They would thereby be able to draw together small savings within their territorial limits and utilize them for productive use. At present no facilities practically exist in our vil-

lages for the deposit of savings. The total number of villages in British territory in India is over $5\frac{1}{2}$ lakhs, while the savings banks (head and sub-banks) number only 7,075; and the total number of depositors is nearly a million, of whom only about fifteen thousand are agriculturists—not even 2 per cent. So it would be a great help to the rural classes and meet a *felt* want if these societies were allowed under the new scheme to have each a savings bank of its own—operating, of course, within its own territorial limits. These savings banks would thus serve a double purpose. (1) The rural classes will have facilities for the deposit of their little savings, where practically none exist at present. This would encourage thrift. (2) The credit societies will have a new source of financial aid placed within their reach on a commercial and safe basis. Indirectly, too, the better-to-do classes, who might not join the new associations, would, if they were to deposit their savings with these societies, help them most materially. ●

The absence of some summary procedure to recover the debts due to the societies is also likely to interfere with the success of these societies. I admit the full force of the observations made by the Hon'ble Sir Denzil Ibbetson on this point. It seems to me, however, that on the whole the balance of considerations lies on the side of providing some such procedure, or at any rate some special machinery of arbitration. Section 26 provides for a summary recovery of debts due to Government. But the societies must go to the Courts and bear the expense and delays of such procedure. I think some summary procedure is necessary, and special Courts might be organized for the adjudication of such claims.

In conclusion, I entirely approve the idea of trying the proposed experiment first in a very few selected locali-

ties only. So much depends upon the success of this experiment that every care must be taken to try it in the most favourable circumstances. The sympathy of local officers will of course be available to the full, but the Government will further have to offer very liberal financial assistance, at any rate, in the earlier years of the experiment. Public confidence in the success or practicability of a new organization is unfortunately slow to grow in a country where the people have for long centuries been accustomed to look for everything to Government and private initiative seems to be almost paralysed. But when once such confidence springs up, it is not lightly shaken. Very great responsibility, therefore, will rest on those who are entrusted with the task of supervising the first experiment, and I earnestly trust, my Lord, that no possible effort will be spared to make that experiment as complete a success as is, in existing circumstances, possible.

THE SINDH ENCUMBERED ESTATES ACT.

[At a meeting of the Imperial Legislative Council, held on Saturday the 17th February 1906, His Excellency Lord Minto presiding, the Report of the Select Committee on the Bill to amend the Sindh Encumbered Estates Act, 1896, was taken into consideration. The Hon'ble Mr. Gokhale moved that in sub-section (2) proposed to be added to section 22 of the Sindh Encumbered Estates Act, 1896, by clause 6, sub-clause (c), of the Bill, as amended by the Select Committee, for the words "as may appear to the manager to be" the words "as may be" be substituted, and that all the words after the word "circumstances" be omitted. He spoke as follows :—]

My Lord, as I have stated in my minute of dissent, I am in sympathy with the general principles of the Bill, and I should have been glad to give a silent vote in support of the measure, but for the fact that one or two of the provisions of the Bill are open to serious objection and will in my opinion be productive of injustice in practical operation. The Council must have seen by this time that one important change that the Bill proposes to make is where it empowers the manager to disturb even old leases either by revision or cancellation. I say nothing about the policy of re-opening these leases. If it is necessary, in order to secure effectively the objects of the old Act, to disturb these leases, by all means let the manager have that power. But the Legislature should see that in giving this power it does not empower the manager to inflict injustice on an innocent party. It is admitted by the Hon'ble Member in charge of the Bill that some of the lessees who might be dealt with under this provision are likely to be agriculturists. And I would submit to the Council that where a

lease has been obtained *bond fide* or where it has been obtained by a man who is not a money-lender, there no case whatsoever has been made out for closing to him the Civil Courts in regard to the compensation to which he may be justly entitled. The Hindu Sabha has given instances where the manager set aside two leases—one obtained for Rs. 21,000 and the other for something like Rs. 60,000. In each case the manager declined to pay compensation for cancelling the lease, but in each case resort to the Civil Courts resulted in compensation being awarded. This shows the danger of making the manager the sole master of the situation which it is now proposed to do, as the Bill leaves the question of compensation practically entirely to the manager. The object of my amendment is twofold. First, to secure that where an old lease has been set aside by the manager, compensation which is not merely equitable in his opinion, but which is reasonable in the circumstances, shall be paid to the lessee. Secondly, if there is a dispute as to whether reasonable compensation has been offered or not, the Civil Courts shall not be closed to the aggrieved party. My Lord, I submit that this proposal to leave everything to the manager is not justified. It is true that the manager is an officer of Government. All the same he is in the position of an interested party. He is expected to free these estates from incumbrances and naturally his bias must be against the money-lenders or others who may have claims on the property. I do not say that he would be consciously unfair; but his bias may lead him to take a view of the situation involving serious injustice to a lessee. The only argument that I have heard in favour of the proposed provision is that the Civil Courts take a long time in settling disputes. It is said that, if the

manager has to wait for their decision before taking effective steps to free an estate from incumbrances, then he would have to wait a very long time indeed. I think this objection will be met by what I have proposed in my two amendments. If it is provided that the manager should offer what he thinks fair compensation, leaving it to the other party, the lessee, to accept or refuse it, and to go to Court if he refused it—if this is done and then the power of eviction is vested in the manager after such compensation is offered, the manager would be able to take the estate into immediate possession and the question of compensation will have to be fought out in the Law Courts. One advantage of leaving the Courts open will be to give a due sense of responsibility to the manager. If he knows that his action is liable to be challenged in a Court of law, that in itself will make him hesitate before he offers compensation which is wholly inadequate. I really do not understand why the Government should show such a want of confidence in their own Civil Courts. It is a general feeling that there has been a tendency of late for the executive to encroach upon the province of the judiciary, and I regret that this provision to which I have taken exception is likely to emphasize this impression. The policy of Government in dealing with agricultural indebtedness by means of legislation is also already regarded with a certain amount of prejudice by the people, and this prejudice is likely to be still further aggravated by provisions such as this, which in practice will, without doubt, result in injustice and confiscation.

[At the same meeting, the Hon'ble Mr. Gokhale moved that in sub-section (4) proposed to be added to section 22 of the Sindh Encumbered Estates Act, 1896, by clause 6, sub-clause (c), of the Bill, as amended by the Select Committee

between the word "cancelled" and the word "refuses" the words "and to whom any compensation awarded has been paid or offered" be inserted. He spoke as follows :—]

The object of this amendment is this. The manager sets aside an old lease and he awards a certain compensation to the lessee. The compensation is not actually paid, but the manager merely enters the amount in the list which he keeps in his office ; and on the mere strength of his having set down this amount against the money-lender or lessee, he proceeds to evict the lessee and take possession of the estate, which up to that time was in the possession of the lessee. Now this is very hard on the lessee. I recognize that the Select Committee have to a certain extent modified the provisions of the Bill as originally drafted, in this respect, and as far as it goes the modification is an improvement. As the Bill was originally drafted there was no provision as to when this compensation may be paid. The Select Committee have given this compensation precedence over all liabilities except the liabilities due to Government. To that extent I think the Select Committee have improved the original Bill. But this does not go far enough. The Hindu Sabha has pointed out that there have been numerous cases where claims have been awarded, but not paid. The amount has been fixed, but though it is several years, it has not been paid and no interest is allowed. We are also told that the manager often finds it difficult to raise loans. I may point out that when the amount of compensation has been settled, it is to the advantage of the estate that the payment of this amount should be postponed as long as possible. If the manager had to pay interest he would pay the amount as soon as possible, because otherwise interest charges would accrue. But since he is not bound pay

interest, it is to the advantage of the estate that the payment to be made should be postponed as far as possible, Now this is most unjust. A lessee may have invested his all in securing a lease. Such cases may be very few, but that does not affect my argument. He may have enjoyed the lease, or his children may have done so, for a number of years. Suddenly the manager comes in, sets aside the lease and puts down a certain sum in his list as due by way of compensation, and proceeds to evict. What are these people to do? On what are they to live since they have invested their-all in securing the lease? Cases of this kind are likely to occur, and it does not seem to me to be right that the legislature should arm the manager with powers to inflict such injustice. My object, moreover, in moving this amendment is larger than this. I want to raise the question of the policy of Government in regard to this matter. The question of agricultural indebtedness has been hitherto sought to be dealt with by the Government by a mere turn of the legislative screw only. The Government in the past have carefully shrunk from accepting any money responsibility. I think this is not the proper way of proceeding to deal with the question. Local Governments have repeatedly urged upon the Government of India the necessity of their advancing money in order that liquidation schemes may be taken in hand and pushed on. If you leave managers to raise money in the open market for the purpose, then it is merely a choice of exchanging one set of creditors for another set of creditors. I have looked up the proceedings of this Council when the Act of 1896 was passed and when the financial policy of the Government of India on this subject was enunciated by Sir James Westland. It must, however, be remembered that the finances

of the Government were not in such a prosperous condition in those days, and therefore any enunciation of the policy of the Government made in those days need not hold good to-day. Sir James Westland remarked that it was quite true that the Government could borrow at $3\frac{1}{2}$ per cent. and advance at 5 per cent. and this would be not only to the interest of the estate which could not borrow at 5 per cent. in the open market, but it would also be to the interest of the Government, because the Government would be making a profit. But he said that the Government would in that case be entering the money-market in competition with private money-lenders, and thereby inflicting unjustifiable injury on the latter. It would thus seem that a tender solicitude for the interests of the money-lender, who otherwise has always been treated as if he was beyond the pale of civilized society, is at the bottom of the policy of Government. But if the money-lender does not deserve sympathy, what does it matter to the Government whether he has a prosperous business in any particular locality or not? I do not see why his interests should stand in the way of a proposal which in every respect is admitted to be a beneficial one. It must be remembered that the Local Governments—notably the Government of Bombay—have always been in favour of the policy I am urging. If the Government revises its present policy and loans are raised by the Government specially for the purpose of freeing encumbered estates, then all these difficulties will disappear. A compensation that is thought fair may at once then be offered and paid to the lessee, and then there would be no grievance so far as his eviction was concerned.

I understand that the Finance Department has always strenuously resisted the adoption of such a policy,

and it may be urged by the Finance Minister that the borrowing powers of Government are limited, and whatever loans can be raised are required for railways and other public works. Now, in the first place, there is nothing to prevent the Government of India from approaching the authorities in England for increased borrowing powers; and, secondly, the surpluses which the Government may have as in recent years might be ear-marked for the relief of agricultural indebtedness. During the last seven years the surpluses have amounted to over thirty millions, and these surpluses have been almost exclusively devoted to the extension of railways. If a considerable portion of this money had been set aside for the relief of agricultural indebtedness, a great deal of good work might have been done. However, there is no use in talking about the past, but there is nothing to prevent the Government in ear-marking such amounts in future. The Finance Department, it may be remarked, need not after all be the whole Government of India, and if the Government will adopt a liberal and courageous policy, the Finance Department will have to carry out that policy.

[*At the same meeting, replying to criticisms made on his amendment above, the Hon. Mr. Gokhale made the following speech.*]

The Hon'ble Sir Denzil Ibbetson deprecates my reference to the financial policy of the Government on the score that this is not a discussion on the Budget. I should have thought that, considering how this same question was raised and discussed at some length—discussed by the members of the Government itself—in 1896, when the Act which we are now amending was last before the Council, this should have been about the last objection which anyone, especially a member of Government, should have

raised to my remarks. However, as the Hon'ble Mr. Baker has made a statement on the subject, I will not say anything more about the Hon'ble Sir Denzil Ibbetson's objection. I will only content myself with the remark that, if Sir Denzil Ibbetson wishes me to postpone my remarks till the Budget is before us, I am quite prepared to do so, and I only hope he will then deal with the question fully. As regards what he has said about not paying the lessee at once, the whole argument is, I fear, based on an assumption which is not justified. He used the word 'inequitable' over and over again. What right has he to assume that a lease that is set aside is necessarily inequitable? The power of the manager to set aside a lease is not confined to inequitable leases. I do not think any one is justified in assuming that because in the interests of an estate the manager thinks fit to set aside a lease, therefore the lease is bad and the lessee is not entitled to the protection of the Law Courts or whatever other protection he is at present able to seek.

As regards the financial policy of Government, the statement which the Hon'ble Mr. Baker has made is to a certain extent satisfactory, in that it shows that the door is not absolutely closed to the adoption of a policy such as I have suggested. In 1896, when Sir James Westland dealt with this question (I looked at the proceedings only this morning and so I speak with my memory refreshed), he dealt with it on the lines which I have indicated, and put it as a question of not entering into competition with the money-lenders and thereby injuring their legitimate business. He went so far as to say that even if a manager could raise loans in the market at a rate of 6, 7 or 8 per cent. interest from the money-lenders, that would be a much fairer course to pursue than that the Government

should come in and advance money at 5 per cent. and thereby disturb the business of the money-lenders.

As regards the borrowing powers of the Government, I have always understood that there was a limit imposed upon the annual borrowing powers of the Government of India. I remember having read the report of a Parliamentary Committee appointed more than twenty years ago, of which, if I remember right, Lord George Hamilton was Chairman. That Committee made some recommendations, and the restrictions then imposed, I thought, held good to-day. If there is no limit, there need be no difficulty in borrowing more than the usual loan for public works, because the credit of the Government of India is as good as that of any Government in the world.

The question is this: is the question of dealing with agricultural indebtedness as important as the necessity of extending railways or dealing with frontier difficulties, and similar questions? The Government freely borrows for these latter purposes. To my mind borrowing for the relief of agricultural indebtedness is a necessity as great as any of these. The whole policy of the Government in this matter has got to be revised and placed on a larger basis. I quite admit that it would not be possible to discuss such a policy in all its bearings when a small Bill like this dealing with a particular province is under discussion. I have only thrown out a suggestion, and notwithstanding the remarks of the Hon'ble Mr. Baker, I venture to hope that it will engage the attention of Government at an early date.

THE SEDITIOUS MEETINGS ACT.

[At a meeting of the Supreme Legislative Council held in November 1907, the Hon'ble Sir Harvey Adamson moved that the Report of the Select Committee on the Bill to make better provision for the prevention of meetings, likely to promote sedition or to cause a disturbance of public tranquillity be taken into consideration. The Hon'ble Mr. Gokhale said :—]

For many years now it has been a well established practice of this Council that no important legislation—especially of a controversial character—should be enacted at Simla, but it should be reserved for the session at Calcutta, where alone the assistance of all Additional Members is available. This practice has behind it the authority of a clear instruction from the Secretary of State. Thirty-two years ago, on the Government of Lord Northbrook passing an important measure at Simla, Lord Salisbury, then Secretary of State for India, deemed it necessary to address a remonstrance to the Governor-General in Council in the following words :—

In providing that laws for India should be passed at a Council consisting not only of the Ordinary Members of the Executive Government, but of Additional Members specially added for the purpose (of whom some have always been unofficial), it was the clear intention of Parliament that in the task of legislation the Government should, in addition to the sources of information usually open to it, be enlightened by the advice and knowledge of persons possessing other than official experience.

Of these you were unfortunately deprived in discussing the subject in respect to which the assistance of non-official Councillors is of special value. My Lord, it is a matter for deep regret that the Government of India should have thought it proper to depart from this wise and salutary practice in the present instance. But the absence of most Additional Members from to-day's meeting is not

my only ground of complaint against the course adopted by Government. I think it is no exaggeration to say that this Bill has been received throughout the country with feelings of consternation and dismay, and yet it is being rushed through this Council in such hot haste, that practically no time has been allowed to the public to state its objections to the measure. The Hon'ble Sir Harvey Adamson, in introducing the Bill last Friday, observed :—

From the date of its publication in the Gazette to the date on which it will be finally considered, an interval of twenty days has been allowed. I am confident that the time is sufficient for a full consideration of the merits of the Bill.

I suppose the Hon'ble Member was indulging in a bit of cynical humour when he said this. Else, my Lord, it is not possible to understand his statement. I presume the object of publication is to give the public affected by the proposed legislation an opportunity to say what it thinks of the measure. This it can only do after it has had time to examine the provisions of the Bill, and such examination must, in fairness to Government, be made in the light of the reasons adduced by the Member in charge in introducing it. Now, my Lord, this Bill was published at Simla on 11th October, and its provisions, as telegraphed from here, appeared in the columns of the daily press of the country on the morning of the 12th. There are only seven or eight towns in the whole of India which have a daily press of their own. Of the others, the more important ones, which are served by these same dailies, have to wait for a day or two, and, in some cases, for even three or four or five days, before they get their daily budget of news. The smaller towns have, as a rule, to content themselves with weekly newspapers only. The Hon'ble Member must therefore allow at least a week's time for anything telegraphed from here to spread all over so vast

a country as India. Then, my Lord, the Bill was introduced in this Council only on 18th October, and a telegraphic report of the Hon'ble Member's speech in introducing it appeared in the dailies only on the morning of the 19th. Allowing another week as the very least time required for the speech to penetrate into the interior of the country, it brings us down to 26th October as the earliest date by which the whole case of the Government may be assumed to have been before the people. After this, some time would be required for deliberation, for the formulation of objections and for these objections to reach the Government; and even if a month had been allowed for this purpose, it would hardly have sufficed. Meanwhile, what happens here? The Select Committee, to whom the Bill was referred for consideration, meets on 22nd October, concludes its deliberations on 23rd, and makes its report on 24th! Now, every one knows that once the Select Committee has made its report, the door is closed on all further modifications, and therefore for any expression of public opinion to be of the slightest value in influencing the character or details of a Bill, it must reach the Government before the Select Committee finishes its labours. It is for this reason that the Rules of this Council lay down that ordinarily a Select Committee shall not make its report sooner than three months from the first publication of a Bill in the *Gazette of India*. In the present case the Select Committee had not the advantage of a single expression of public opinion to assist it; and even those few telegraphic protests, which had been received by the Government and of which some of us had received copies independently, were not laid before the Committee. My Lord, in the face of these facts, to speak of having allowed sufficient time to the public for a full consideration

of the Bill is to mock public opinion. Better far that the Hon'ble Member had said : " The Legislature exists in India only to register the decrees of the Executive. The passage of a Bill through the Council is a mere formality, and on occasions like the present an inconvenient formality. We are facing the inconvenience in this case simply because we must face it. But the people may as well spare themselves the trouble of making any representations to us. For we have made up our mind and nothing they can possibly say will affect our determination to make this addition to the Statute-book. Moreover, it is not for them to reason why or to make reply. Their only business is to obey." That the Hon'ble Member is not wholly unconscious of the fact that he has given practically no time to the public for what he calls " a full consideration of the merits of the Bill " may be seen from his providing himself with a second line of defence. He says that though the Bill has been before the public for a few days only the Ordinance which was promulgated in May last for the Provinces of East Bengal and the Punjab has been before the country for the last five months ! He might as well have said that we had the History of Ireland before us all these years, or that we could not be altogether ignorant of what was taking place before our eyes in Russia !

My Lord, I can imagine circumstances " of such extreme urgency and such extreme gravity as to necessitate the passing of a law of this kind and passing it even in the manner the Government have adopted. Had there been an active and widespread movement of resistance to authority afoot in the country, if breaches of public peace had been frequent, if incitements to violence had been the order of the day, I can understand the Executive wanting to arm themselves with these vast powers of coercion. But,

my Lord, can any one truthfully say that such a state of things has arisen in the country? On the contrary, I assert, without fear of contradiction, that there is nothing in the circumstances of the land which constitutes even a distant approach to such a situation. It is true that there is widespread discontent throughout the country and very acute discontent in one or two Provinces, and to this discontent is now being added a fresh feeling of resentment—daily growing deeper and stronger—on account of the policy of repression on which the Government have embarked. But of active disaffection there is really very little anywhere, and whatever there is, is due to causes which lie almost on the surface, and should, therefore, be not difficult to understand. The Statement of Objects and Reasons, appended to the Bill, says :—

The occurrences of the last six months have convinced the Government of India that it is necessary, for the preservation of the public peace and for the protection of the law-abiding members of the community, to incorporate in the general law an effective measure for the prevention of seditious meetings and to take power to bring its provisions into operation in any part of India as occasion may require.

And the Hon'ble Member, in introducing the Bill, observed :—

We had hoped that the need for an enactment of this kind would cease before the Ordinance expired, but in this hope we have been disappointed. It has become painfully apparent that persistent attempts continue to be made to promote sedition and to cause such ill-feeling as is calculated to disturb the public tranquillity, and that these attempts are not confined to the two Provinces which came under the scope of the Ordinance.

My Lord, these are serious but vague statements, and I am astonished that the Hon'ble Member has not seen the necessity of supporting them by the testimony of facts. He mentions no cases, no statistics; one general assertion that persistent attempts continue to be made to promote sedition, and he thinks he has established the need for

enacting drastic law of this kind for the whole country ! With due deference, I submit this is not a fair proceeding, and the vast bulk of the people throughout India, who are perfectly law-abiding, have just cause to resent it. Let us examine the Hon'ble Member's contention a little closely. He says, first, that he had hoped that after the expiry of the Ordinance of May last, it would be unnecessary to renew its policy in the two Provinces in which it was in force, but that in this hope he has been disappointed ; and, secondly, that unless that policy is extended to all the other Provinces of India, public tranquillity in those Provinces also would be in danger of being disturbed. Now, what are the facts ? Let us take the Punjab first. In the whole of this Province there has been, as far as I am aware, only one public meeting since the promulgation of the Ordinance. It was held in Delhi, before Delhi was proclaimed ; it was attended by both Hindus and Mahomedans, and its object was to express regret at Lala Lajpat Rai's deportation. There has been no disturbance of public tranquillity anywhere in the Province during the time. The Hon'ble Member will very probably say—"But this is all due to the Ordinance"! Assuming for a moment, for the sake of argument, that it is so, the fact remains that the Hon'ble Member has no reason to complain of any disappointment in the Punjab. Turning next to East Bengal, we find that there too, after the Hindu-Mahomedan disturbances, which led to the promulgation of the Ordinance, were over, there has been no public disturbance. There have also been no public meetings held in defiance of the Ordinance, so far at least as the public is aware. A District Conference was proposed to be held at Faridpur with the District Magistrate's permission, but on his objecting to two of the resolutions on the Agenda

paper—one about the deportation of Lala Lajpat Rai, and the other about the boycott of foreign goods—the organisers thought it best to abandon the Conference. There was great public indignation and disappointment in consequence, but there was no breach of the peace. It is possible that the Secret Police have been sending up to Government reports of meetings held surreptitiously in private houses in proclaimed areas in Eastern Bengal, and indeed the Hon'ble Member says as much in his speech of 18th October. But, in the first place, it is necessary to accept with great caution what the Secret Police say in their reports, as the trial at Rawalpindi and other recent events have shown. And, secondly, even assuming that such meetings have been held, there have been no breaches of the peace, and no serious harm seems to have been done; and I think in affairs of State, no less than in private life, it is often the part of wisdom to wink at things, which it is difficult to prevent and which do no serious harm to anybody. So much about the two Provinces in which the Ordinance has been in force since May last. Outside these Provinces, public disturbances have taken place only in two places in all India—one at Coccana, in the Madras Presidency, some time ago, and the other at Calcutta more recently. The former had its origin in an assault made by a European officer on a student for shouting the words *Bande Mataram*. In the latter, the Police themselves are alleged to have been the aggressors. But whatever the origin of these two disturbances, and however much one may deplore them, they certainly do not furnish any justification for saddling the whole country with such a measure as the Council is asked to pass into law to-day. As regards public meetings in the different Provinces, with the exception of some held in Calcutta, I

do not think that they have been of a character to attract special public attention. Strong things have no doubt been said at some of these against the Government and even wild things have probably been said at a few, but this has been largely due to the measures of repression which the Government have thought fit to adopt since May last. My Lord, I do not think there is really anything in the situation of the country which may not be dealt with adequately by the ample powers which the Government already possess under the existing law, if those powers are exercised with tact, judgment and firmness. In any case there is nothing of such urgency and such gravity as to require an immediate resort to the dangerous provisions of this Bill and to justify its being rushed through this Council in this manner. The Hon'ble Member says that as the Ordinance of May last expires on 10th November, unless the Bill is passed before that date, there would be a *hiatus*. This applies only to Eastern Bengal and the Punjab, and of these, the Punjab has been so absolutely quiet that the Government of India may well give it a chance of being again under the ordinary law. And as regards East Bengal, if the situation showed signs of real anxiety, the Government could issue another Ordinance, or legislation might be undertaken in the Local Legislative Council. In such matters it seems to me far fairer that if there must be legislation, it should be undertaken by Provincial Governments in their own Councils. Such a course will ensure a proper discussion, with full knowledge on both sides, of all the special circumstances of a Province on which the Executive base their demand for extraordinary powers. It will also obviate the risk of enacting coercive legislation for those Provinces for which the ordinary law ought to suffice.

My Lord, the bulk of the educated classes in India feel, and feel keenly, that during the last six months, their aims and their activities have been most cruelly misrepresented before the British public, and that they have not had fair-play during the time. Exaggerated importance has been attached to the utterances of a few visionaries, and advantage has been taken of every accidental circumstance to represent an agitation for reform and for the removal of specific grievances as a moment of revolt. The malignant activity of certain unscrupulous Press correspondents has been largely responsible for achieving this result, but unfortunately colour has been lent to their stories by the series of repressive measures which the Government themselves have adopted. The saddest part of the whole thing is that the Secretary of State for India has fallen a victim to these grievous misrepresentations. Possessing no personal knowledge of the people of this country, and overwhelmed with a sense of the vast responsibilities of his office, he has allowed his vision to be obscured and his sense of proportion to be warped. From time to time he has let fall ominous hints in the House of Commons, and more than once he has spoken as though some great trouble was brewing in India, and the country was on the eve of a dark disaster. My Lord, in these circumstances, the passing of a Bill like the present and in such hot haste, is bound to have the effect of confirming the false impression which has been already created in England, and this cannot fail to intensify and deepen still further the sense of injustice and injury and the silent resentment with which my countrymen have been watching the course of events during the last few months. I think the Government are repeating in this matter the great mistake they made when they partitioned Bengal. What-

ever advantages as regards administrative efficiency may have been expected from that measure, it has cost the Government the goodwill of the vast majority of the people of that Province, and this is a loss which no amount of administrative efficiency can balance or compensate. Similarly, for one man whose wild talk the Government may be able to prevent by this Bill, nine hundred and ninety-nine will smart under a sense of injury that they have been placed under a law which they have not deserved and their minds will drift away silently and steadily from the Government, till at last their whole attitude towards the administration is changed.

My Lord, so much has of late been said and heard of sedition in India, that a brief inquiry as to how far it really exists and to the extent to which it may exist, what is its origin and its character, may not be out of place at to-day's meeting. Five years ago, when Lord Curzon announced to the whole world at the Delhi Durbar that the people of India were frankly loyal to the British connection and the British Crown, I believe he stated but the bare truth. Now, when any one speaks of loyalty in India in this connection, he speaks not of a sentiment similar to that of feudal Europe or of Rajput India, but of a feeling of attachment to British rule, and of a desire for its stability based on enlightened self-interest—on an appreciation of what the rule has on the whole done for the people in the past and of the conditions which it ensures for future progress. In this sense the educated classes of India have been from the beginning entirely loyal. It was, however, inevitable that they should gradually grow more and more dissatisfied with their own position in the country and with the existing system of administration, and twenty-two years ago they started an organized agitation for reform.

This agitation, perfectly constitutional in its aims and methods, rapidly grew all over the country from year to year. It had not received much encouragement from the Government, but no serious obstacles had anywhere been thrown in its way, and its current flowed more or less smoothly and on the whole free from racial bitterness till Lord Curzon's time. Then came a great and, in some respects, a decisive change. Lord Curzon's reactionary policy, his attempt to explain away the Queen's Proclamation, his unwise Convocation speech at Calcutta—all these produced intense exasperation throughout India. This exasperation was the worst in Bengal, because, though Lord Curzon's measures affected all India, they fell with special weight on Bengal. And when on the top of these measures the Partition of Bengal was carried through, a bitter and stormy agitation sprang up in that Province, in which the general agitation for reform soon got completely merged. The bitterness of Bengal agitation gradually came to communicate itself to the reform movement all over the country by a sort of sympathetic process. Bengal has always been the home of feeling and of ideas more than any other part of India. The people took to heart very deeply the failure of their agitation against the Partition, and then the more reckless among them began to ask themselves new questions and came forward to preach what they called new ideas. It is true that they have received a certain amount of hearing in the country, but that is more on account of the passion and poetry of their utterance than on account of any belief in the practicability of their views. Their influence, such as it is to-day, is due to the alienation of the public mind from the Government, which has already occurred, but which the Government have it still in their power to set right. Measures of repression

will only further alienate the people, and to that extent will strengthen this influence.

At the beginning of this year, another acute agitation sprang up, this time in the Punjab, against the Colonisation Bill and other agrarian grievances, and a fresh element of bitterness was added to the situation by the State prosecution of the *Punjabee* on a charge of exciting racial ill-will, when the *Civil and Military Gazette* had been let off with only a gentle remonstrance. This agitation too on its side swallowed up for the time the general reform agitation in the Punjab, and the reform movement in other parts of India could not escape being affected by it. Then came the demonstrations at Lahore and the disturbance at Rawalpindi, and then the repressive measures of the Government—notably the deportation of Lala Lajpat Rai, the arrest and prosecution of Rawalpindi pleaders and the Public Meetings Ordinance. The whole country was convulsed and while the Punjab itself was paralysed, in other parts of India even the most level-headed men found it difficult to express themselves with due restraint. That a man like Lala Lajpat Rai, loved by thousands not in his own Province only, a man of high character and of elevated feeling, a keen religious and social reformer, and a political worker, who, whatever his faults, worked only in broad daylight, should have been suddenly arrested and deported without a trial—this was a proceeding which stunned the people throughout India. And as regards the Rawalpindi case, what shall I say! For four months the whole country witnessed the spectacle of the venerable Lala Hansraj, a man as incapable of promoting disorder as any member sitting at this table—with other gentlemen equally respectable, rotting in the lock-up on a charge of inciting to violence and conspiring

against the Crown ' My Lord, it will be long before the memory of the sufferings of these men is wiped from the public mind. Meanwhile the country is waiting to see how the authorities deal with those who brought these sufferings on them by producing evidence which the trying Magistrate has pronounced to be 'most untrustworthy and probably fabricated ' ! My Lord, with these things happening in the country, is it any wonder that the voice of those who counsel patience and moderation and self-restraint should be for the time at a discount among their countrymen ? The occurrences of the last six months have afforded ample encouragement to those who like to talk strongly and do not occasionally mind talking wildly.

This then is the position. A few men in Bengal have now taken to preaching a new gospel, and here and there in the country one occasionally hears a faint echo of their teaching. But their power to influence the people—to the extent to which they are able to influence them—is derived mainly from the sense of helplessness and despair which has come to prevail widely in the country, both as regards the prospects of reform in the administration and as regards the removal of particular grievances. The remedy for such a state of things is therefore clearly not mere repression but a course of wise and steady conciliation on the part of the Government. Your Lordship has already taken a most important step in the direction of such conciliation so far as the Punjab is concerned by vetoing the Colonisation Act. Let the work of conciliation be carried further, let the deported prisoners be brought back, and if the Government have anything against them, let them have a fair trial ; and let the Province remain under the ordinary law after the Ordinance expires. As in the Punjab the Colonisation Act has been vetoed, so in Bengal let Parti-

tion be modified in some manner acceptable to the Benga-

The causes of acute discontent in these two Provinces will then have disappeared and the old stream of a movement for reform will be separated from the bitter tributaries that have recently mingled with it. The Government can then deal with the question of reform on its own merits, and if it is handled in a spirit of broad-minded statesmanship a solution may be arrived at which will give general satisfaction. In this connection, I would like to say a word about a remark that fell from the Hon'ble Sir Harvey Adamson on 18th October. Speaking of the necessity of coercion, the Hon'ble Member said: 'The Government of India have all along recognised that unrest is not solely the outcome of seditious agitation, but has its basis on the natural aspirations of the educated Indians. To meet these aspirations and to associate Indians more closely in the administration of the country, we formulated a large and generous scheme of reform which is now before the public for criticism.' And he proceeded to express his disappointment at the reception which the schemes had met with and to complain that that reception showed that the Government had to deal with a section of irreconcilables. My Lord, I am sure the Hon'ble Member had no intention of branding all who are unable to grow enthusiastic over the Government proposals as 'irreconcilables.' The words employed by him have, however, been so understood, as may be seen from the telegram of the Bombay Presidency Association, and this is rather unfortunate. But what I want to say is this. If the Hon'ble Member expected that the publication of the Government scheme of August last would allay the discontent in the country in any degree, he was bound to be disappointed. The scheme is neither large nor generous and in some

respects it is not a scheme of a reform at all. And the general disappointment which it has occasioned has necessarily intensified the prevailing feeling of discontent. As though this was not enough, the language employed in explaining the proposals is in some places unnecessarily offensive to certain classes. And taken as a whole, the document, I regret to say, lacks that dignity of statement which one always likes to see associated in an important State paper.

My Lord, it has been said that though this Bill may be passed for the whole country, yet the people of any given place have two safeguards before they actually come under its provisions. The first is that the Government of India must extend this Act to their Province and the second is that the Local Government must notify the place as a proclaimed area. A little consideration will, however, show that there is really not much in either of these safeguards. The first is purely nominal. A place may be absolutely free from sedition of any kind and yet if it is thought that some other place in the same Province requires the application of the provisions of this Act, the Government of India have no option but to ~~extend~~ the Act to the whole Province. And thus for the sake of even one place, a whole Province will have this Act applied to it. Again, when the Act has thus been extended to a Province, any place therein may find itself suddenly proclaimed for the seditious activity, real or supposed, of only a few persons, though the vast bulk of the population may be perfectly law-abiding and free from the faintest suspicion of sedition. And once an area is proclaimed, the whole population will be indiscriminately made over to police rule. It is this fear which, apart from other objections, lies at the root of the great anxiety and alarm with

which the Bill is regarded in all parts of the country. The Hon'ble Member says that when it is thought necessary to proclaim an area, 'it is reasonable that law-abiding persons residing within that area should be prepared to suffer some slight inconvenience for the public good.' I wonder what the Hon'ble Member's idea of a slight inconvenience is. Is it a slight thing to be exposed to the annoyance and unpleasantness of domiciliary visits? Or to have social parties of more than twenty persons raided upon or broken up, and the host and even guests hauled up for holding a 'public meeting' without notice? The presumption of clause 3 sub-clause (3) may be successfully rebutted in Court and the Magistrate may acquit. But think of the trouble and misery which may be most needlessly caused. My Lord, with the kind of police we have in the country—men, for the most part, without scruple and without remorse—these are not imaginary fears. We have just seen at Rawalpindi what they are capable of. Other instances can also be cited, where cases have been manufactured from start to finish. It is true that the intention of the Bill is not to interfere with social parties. It is also true that under section 4, notice has to be given only of such public meetings as may be called for the discussion of particular subjects. But a Police-officer who is interested in getting any man into trouble can always pretend that a gathering of more than twenty persons was a public meeting, and it will not be difficult for him to arrange for a little evidence that the gathering was held for the discussion of a political subject. And under the plea that an offence was taking place, viz., that a public meeting was being held without notice, he may want to be admitted to the place of the gathering. If the host is a strong man and knows his legal rights well,

he may resist the officer and decline to admit him. But he may then find himself hauled up before a Magistrate and must be prepared to face a trial. But for one strong man who will thus defy the Police, nine will tamely yield. Moreover, in those cases which may go before a Court, how the Magistrate will construe the definition of 'public meeting' must always remain a matter of uncertainty. A curious illustration of this is supplied by the Hon'ble Member himself. Last Friday, the Hon'ble Member told the Council that the object of adding 'sub-clause (3) to clause (4) was to exempt meetings like Municipal meetings from the requirements of notice or permission. 'If the provision,' he observed, 'were construed rigidly, it might be necessary to give notice or obtain permission before holding Municipal meetings in a proclaimed area.' In the Hon'ble Member's view, therefore, a Municipal meeting is a public meeting. My Hon'ble friend, Dr. Ghose, on the other hand, tells me that Municipal meeting cannot be a public meeting under the definition given in the Bill. Now, the Hon'ble Member was Chief Judge of Burma before he became Home Member of the Government of India. And Dr. Ghose is one of the most learned and distinguished lawyers in the country. A difference of opinion between two such authorities in construing the definition of public meeting, even before the Bill has become law, augurs ill for the manner in which the definition may be dealt with by plain or inexperienced Magistrates!

My Lord, there are other objectionable features of the Bill, but I do not wish to tire the Council with any further observations. The Bill is a dangerous one, and the only satisfactory way to improve it is to drop it. But more than the Bill itself is, to my mind, the policy that lies behind the Bill. I consider

this policy to be in the highest degree unwise. It will fail in India as surely as it has failed everywhere else in the world. It will plant in the minds of the people harsh memories which even time may not soften. It will by no means facilitate the work of the administration, and it will in all probability enhance the very evil which it is intended to control.

When the Hon. Sir H. Adamson moved that the Bill as amended be passed, the Hon. Mr. Gokhale said :—

My Lord, I have not intended saying more than just a word at this stage of the Bill and that only by way of an appeal to Your Excellency. But certain remarks have fallen from the Hon'ble Member in charge of the Bill with regard to the responsibility for this legislation which makes it necessary that I should say a few words in reply as it is impossible to allow those remarks to pass unchallenged. The Hon'ble Member says that the responsibility for this Bill really rests with those who are described as the Moderate section of the Reform Party in India. Now, I for one have never been in love with the terms Moderates and Extremists. There is at times a great deal of moderation among some of those who are called Extremists and, on the other hand, there is no small amount of what is the reverse of moderation among some who are called Moderates. However, I fear the terms as they are now in use will stick and for the purpose of my present observations I will take them as they have been used by the Honourable Member. My Lord, I think it most unfair to put the responsibility for such sedition as there may be in existence in this country on what is called the Moderate Party.

In the remarks which I made at an earlier stage of to-day's proceedings, I went at some length into the question as to how the present situation has come to be deve-

loped. I do not want to go over the same ground again, but there are one or two things which I would like to mention and emphasize. My Lord, when the officials in the country talk of sedition they do not always mean the same thing. Different officials have different ideas of sedition. There are those who think that unless an Indian speaks to them with 'bated breath and whispering humbleness' he is seditionous. There are others who do not go so far but who still think that any one who comments adversely on any of their actions or criticises the administration in any way or engages in any political agitation is guilty of sedition. Lastly, there are those who take a larger view of the situation and recognise that the term sedition should be applied only to those attempts that are made to subvert the Government. Now, I have no wish to say anything on this occasion about the first two classes of men. I will take sedition in the sense in which it is used by the third class and I will say this, that if such sedition has come into existence it is comparatively of recent growth, a matter of the last three or four years only—and the responsibility for it rests mainly if not entirely on the Government or rather on the official class. My Lord, from 1885, *i.e.*, since the close of the beneficent Viceroyalty of Lord Ripon, the Congress has been endeavouring to secure much needed reform in the administration. The present form of the administration is about fifty years old. We have long out-grown that now and the fact is admitted even by officials. But while they admit, in a general sort of way, that changes are necessary they have some objection or other to urge against every change that is proposed. The result is that there has been hardly any movement forward, in spite of our efforts all these years and the patience of the more impatient among

my countrymen has at last given way. In the earlier years of the Congress there used to be some room for a hope that the desired changes in the administration would come. After Lord Ripon came Lord Dufferin who was not unfriendly to the Congress though he was somewhat suspicious and he gave us the Public Service Commission. After him came Lord Lansdowne. He too was, on the whole, friendly though he was overcautious and he gave us the first form of the Legislative Councils. Then came Lord Elgin and from his time the fortunes of the Reform Party have been at a low ebb. Lord Elgin's term of office was darkened by plague, famine and frontier wars and towards its close came repressive legislation against the Press. Then came Lord Curzon. He was a consummate master of glowing speeches and during the first two years of his regime, high hopes were raised in the country. These hopes, however, were soon dashed to the ground on account of a series of reactionary measures which he forced on the people. This disappointment coupled with the sense of constant irritation which we felt during the last three years of his rule proved too much for a section of the Congress Party and they began to declare that their old faith in England's mission in this country was gone. Then came the Partition as the proverbial last straw. The people of Bengal did all they could and all they knew to avert that Partition. Hundreds of meetings were held all over the Province. Prayers and protests poured in upon the Government and the people used every means in their power to prevail upon Lord Curzon to abandon his idea. But he simply treated the whole agitation with contempt and carried his measure through. The men who are called "Moderates" pointed out again and again to the Government the unwisdom of its course. They warned them that

the measure if forced on the people in spite of all the furious opposition that was being offered to it, would put too great a strain on their loyalty and that some of them, at any rate, would not be able to stand that strain, and events happened as they had been foreseen. The Hon'ble Member complains that open disloyalty is now being preached in Bengal but no heed was given to the words of the "Moderates" while there was time. And now when the mischief has been done, the Hon'ble Member turns round and wants to throw the responsibility for what has happened on us!

As regards the question of the "Moderates" denouncing the Extremists, it is not such an easy matter. In the first place, I am not sure that there is such an absence of disapproval or remonstrance as the Hon'ble Member imagines. But, secondly, such denunciation is largely a question of temperament. All people do not always denounce whatever they disapprove. I will answer the Hon'ble Member's question in the matter by a counter question. There are certain Anglo-Indian newspapers which constantly revile Indians. Has the Hon'ble Member ever denounced anything that has appeared in their columns? I am sure he and many others like him would disapprove what often appears in the columns of the *Civil and Military Gazette* or the *Englishman*, but have any Englishmen in any place ever met together and expressed their condemnation of these papers. I hope the Hon'ble Member will now see that the question of denouncing those whose conduct you disapprove is not such an easy one. Moreover, with us there is an additional reason. We do not want to make confusion worse confounded. There are already enough divisions, in all conscience, in the country and we do not want to have a

fresh cause of contention if we can help it. But let me say this to the Hon. Member whether the "Moderates" remain silent or denounce the Extremists, it will make very little difference in the hold which the Extremists are acquiring on certain minds of India. There is only one way in which the wings of disaffection can be clipped, and that it is by the Government pursuing a policy of steady and courageous conciliation.

My Lord, before this motion is put to the vote I would like to say just a few words. Now that the Government have armed themselves with these drastic powers of coercion, I would humbly say to Your Lordship—keep these powers in reserve; do not use them immediately as far as possible, and conciliate Bengal. My Lord, there is the root of the trouble: with Bengal unconciliated in the matter of Partition there will be no real peace, not only in Bengal but in any other provinces in India. The whole current of public life in the country is being poisoned by the bitterness engendered in Bengal over this question of Partition. My Lord, I am not a Bengali, and therefore I can say these things with the less reserve and without any fear of being misunderstood. The people of Bengal are the most emotional people in all India, and they will far sooner forget a material injury than one to their feelings. Now in this matter of the Partition—whatever its advantages or disadvantages, I am not concerned with that just now—there is no doubt whatever that the deepest feelings are involved. They feel that they have been trampled upon—and while they feel like that, there can be no peace. Already great alienation has taken place between them and the Government, and every day the position is growing worse.

The refusal of the sufferers in the recent disturbances

to appear before Mr. Weston to give evidence is a significant illustration of the change that is coming over Bengal. The Government propose to meet this change by a policy of repression. My Lord, knowing them—the people of Bengal—as I do, I venture to predict that they *will* not be thus put down by force. The Bengalees are in many respects a most remarkable people in all India. It is easy to speak of their faults. They lie on the surface, but they have great qualities which are sometimes lost sight of. In almost all the walks of life open to the Indians the Bengalees are among the most distinguished. Some of the greatest social and religious reformers of recent times have come from their ranks. Of orators, journalists, politicians, Bengal possesses some of the most brilliant. But I will not speak of them on the occasion because this class is more or less at discount in this place; but take science or law or literature. Where will you find another scientist in all India to place by the side of Dr. J. C. Bose or Dr. P. C. Ray or a jurist like Dr. Ghose or a poet like Rabindra Nath Tagore. My Lord, these men are not mere freaks of nature. They are the highest products of which the race is regularly capable; and a race of such capability cannot, I repeat, be put down by coercion. One serious defect of national character has often been alleged against them—want of physical courage; but they are already being twitted out of it. The young men of Bengal have taken this reproach so much to heart that if the stories in some Anglo-Indian papers are to be believed, so far from shrinking from physical collisions they seem to be now actually boiling for them. My Lord, if the present estrangement between the Government and the people of Bengal is allowed to continue, ten

years hence there will not be one man in a thousand in that province who has a kindly feeling for the Englishmen. The Government will have on their hand a tremendous problem, for there are thirty-three millions of Bengalees and the unwisdom and the danger of driving discontent underground amidst such a population will then be obvious.

My Lord, I appeal to Your Lordship to stanch this wound while there is yet time. I know the question is now complicated by the fact that the Mahomedan population of Bengal expect certain educational and other advantages to accrue to them from partition. No real well-wisher of India can desire that any of these advantages should be withdrawn from them, for the more the Mahomedan community progresses, the better for the whole country. But surely it cannot be beyond the resources of statesmanship to devise a scheme. While the expected advantages are fully secured to the Mahomedans, the people of Bengal may also have their great grievance removed. My Lord, considerations of prestige which have so far stood in the way of this work of conciliation may continue to obstruct it. I cannot understand how a Government, with the vast strength of a mighty Empire behind it, will suffer in prestige by such a line of action. But one thing is certain. Your Lordship has it in your power to set this matter right. And you will earn the blessing not only of Bengal but of all India if this source of continued bitterness and ill-feeling is removed from the land.

THE SEDITIOUS MEETINGS BILL, 1910.

[On 6th August 1910, the Hon'ble Mr. Jenkins introduced in the Imperial Legislative Council the Bill to provide for the continuance of the Prevention of Seditious Meetings Act, 1907, and moved that the Bill be taken into consideration. Mr. Gokhale, in opposing the motion, spoke as follows:—]

My Lord, this Bill may at first sight appear to some to be a comparatively modest measure, inasmuch as all that it ostensibly seeks to do is to prolong by just five months more the life of an Act which in the natural course of things would expire on 1st November next. And the very brief speech with which the Hon'ble Member has introduced his motion to-day is calculated to lend support to this view. Now, my Lord, if this had been really all that the Government had in view—even then, I should have deplored the action of Government, for, as I understand the situation, what the country taken as a whole needs to-day above every thing else is the opportunity for things quietly to settle down again to the normal; and, in providing this opportunity, responsibility rests as much on the Government as on the people. And in my humble judgment, a proposal at a time like the present to renew even for a few months a repressive measure of such exceptional severity as the Seditious Meetings Prevention Act, when the country is comparatively quiet and is getting quieter every day, is not likely to hasten that return to a normal frame of mind on the part of the people and that restoration of normal relations between the people and the Government which every true well-wisher of the country must so ardently desire. But, my Lord, I do not think that this Bill is merely a proposal to continue an expiring

Act for a few months longer, and nothing more. I think there are grave reasons to fear that it is rather intended to be the prelude to another proposal to place the Act permanently on the Statute-book after the formality of a discussion in full Council at Calcutta next March. It seems clear to me that if the Government had been anxious to govern the country without the aid of this Act—if even they had wanted to find out if they could so govern it—they would have welcomed the opportunity, instead of regretting it, of the Act lapsing next November, conscious of the fact that, if the necessity arose, they could re-enact the measure in a single day, and re-enact it probably with the support of a strong body of public opinion. The Statement of Objects and Reasons says that ‘on the unanimous advice of Local Governments, the Government of India are convinced that the continuance of the Act for the present is essential to the preservation of the peace,’ and therefore they are continuing it for five months. I am not surprised, my Lord, taking human nature as it is, that the Local Governments want to retain the powers which the Act confers upon them. That does not by any means show that the condition of the country is such that the Local Governments should have those powers. What is there, for instance, to-day in the condition of the Madras Presidency that should make the Government of Madras wish to have these powers? And yet we find Madras anxious along with the other Local Governments to retain these powers! It is therefore only ordinary human nature, and I do not think that we need attach any special importance to it. I wish, however, that the Council had had an opportunity of seeing those opinions of Local Governments. In the case of ordinary Bills such opinions are as a rule supplied to Members. I asked for these papers two

days ago under Rule 13 of the Rules for the conduct of legislative business ; but the Government have not seen their way to comply with my request. But whatever be the grounds on which the Local Governments have based their advice, one thing is certain, that if they have asked for a continuance of the Act, they cannot have asked for its continuance for five months only ; no one could, I think, calculate the requirements even of repression with such nicety ! It is true that when the question comes up again for consideration, the personnel of the Government of India will have undergone a considerable change. But I do not think it is possible to find any comfort in that. In the first place, a Viceroy entirely new to the country is far less likely to take a line of his own in dealing with what we have been told is the unanimous opinion of Provincial Governments than one who has been five years in the country ; and secondly, we have already before us the fact that, though not one of Your Lordship's colleagues of 1907 in the Government of India is to-day a member of the Government—a fact which significantly illustrates the rapidity and completeness with which the personnel of the Government changes in the country under the existing system—that has not made any difference as regards the present decision to continue the Act after October next. I take it therefore that during the next Calcutta session the Government will come forward again with a proposal either to further extend the period of the Act or, what is even more probable, to place the Act permanently on the Statute-book. Now, my Lord, we all know that when once the Government have made up their mind to adopt a particular course, nothing that the non-official Members may afterwards say in Council is particularly of any avail in bringing about a change in that course. Our only hope

of preventing a decision which we consider to be fraught with serious injury to the best interests of the country is in any opportunity we may get to state our objections before the decision has been arrived at. And it is because the Bill before us gives us such an opportunity, as also because I am against the proposed continuance of the Act even for five months, that I deem it my duty to offer what resistance I can to the motion which the Hon'ble Member has just submitted to the Council.

My Lord, three years ago, when this Act was hurried through the Council at this hill station, only three non-official Members were able to attend the meeting. But among those there was my distinguished friend, the profoundly learned and ever-brilliant Dr. Rash Behary Ghose. To the criticism which he then offered on the various provisions of the measure, I think it is unnecessary to add anything even to-day. The Act admittedly confers dangerously wide powers on the Executive, which, if used at all, are almost certain to be abused, and which must in practice paralyse all activity in the country. Meanwhile the Government already possess in the ordinary law of the land ample powers to meet all reasonable requirements, not only for punishing but also for preventing what has been called seditious or dangerous oratory. Under the Criminal Procedure Code the Government can break up, and even prohibit, meetings likely to prove dangerous to the tranquillity of the country, and they can bind down individuals. And the provisions for punishing seditious utterances do not certainly err on the side of leniency. I really do not see what more is wanted if the Government are to show a reasonable regard for the elementary rights of the people. Unless the idea is that nowhere in the country shall there be any deliberation or discussion or expression

of opinion except on lines approved by the Government, and that too with their previous permission, I do not understand the necessity of arming the Executive with the vast powers which the Act confers. That these powers can be and as a matter of fact have been used, or rather abused, for such a purpose may be seen from the fact that this year three ordinary district conferences in East Bengal were prohibited by the District Magistrates. My Lord, I listened : fully to the answer which the Hon'ble Mr. Earle gave yesterday to a question of my friend the Hon'ble Babu Bhupendra Nath Basu on this subject. In spite of that answer, I feel bound to say that, in my opinion, the action of the authorities was not justified ; and I hold that the prohibition of the conferences was a serious abuse of the powers which the Act confers upon the Executive. Such conferences have been held for years past, not only in Bengal but all over the country. They are strictly on constitutional lines, and so far they have nowhere given rise to any trouble whatever. The Hon'ble Mr. Earle in his reply said that the prohibited conferences proposed to deal with subjects which did not concern the districts only. Now I would like to know what right or authority the Hon'ble Member had to lay down a proposition like that. A district is part of a Province ; it is also a part of the whole country ; surely the people of a district, if the Government are willing to allow them even small amount of patriotism or public spirit, are entitled to take an interest in the affairs of their Province and their country ; and I say it is absurd to insist that a district conference should confine itself only to matters that concern that district. But, my Lord, it was not only these district conferences that were thus interfered with. In one of the districts a meeting proposed to be held by members of the

depressed classes for the discussion of a social grievance was also disallowed. I understand that these classes in Eastern Bengal have some difficulty in obtaining the services of barbers, and these people wanted to hold a meeting and consider what arrangements they could make for getting themselves shaved. Surely that was not a subject in regard to which the powers conferred by the Act should have been exercised by the district authorities! And yet this was actually done under this Act. I understand that this prohibition was afterwards withdrawn. But that it should ever have been exercised shows the liability to grave abuse of these powers. In some places the District Magistrate went the length of claiming the power to determine the actual wording of the resolutions proposed to be passed at public meetings! Such a claim reduces a public meeting to a mockery and a farce, for the resolutions then express the views not of the people assembled in the meetings but of the district authorities! My Lord, I am quite prepared to admit that circumstances may arise when even such drastic powers as the Act confers may be necessary in order to stem the flood of wild, irresponsible oratory dangerous to public peace. But I do not think that such circumstances exist at the present moment anywhere in India.

My Lord, I can conceive of circumstances in which it may be necessary to put even such powers into the hands of the Executive as the only way of checking the flood of wild and dangerous utterances that may be threatening the peace or tranquillity of the country. But I do not think such circumstances exist in any Province at the present moment. And, in any case, it is to my mind intolerable that the whole country should be indiscriminately placed under such Draconian legislation. And

this brings me to a suggestion which I made in the Council three years ago, when the Seditious Meetings Act was under discussion, and which I wish to repeat to-day, namely, that if at any time such legislation is found to be necessary in any Province it should be undertaken by the Provincial Government in the Council of that Province, and not by the Government of India for the whole country. At present what happens is this. The alleged needs of the Province whose condition is the worst furnish the standard and determine the character of the legislation with which not only that Province but the rest of the country is to be saddled. Now, this is gravely objectionable, and to my mind it constitutes a most serious grievance. A simple remedy lies ready to hand, namely, to require each Provincial Council to undertake in such matters its own special legislation according to its needs. This will have the additional advantage of ensuring a full discussion of the condition of the Province before the legislation is passed. I claim on this subject the support of the Hon'ble Member whom we in Bombay have known to be a strong advocate of Provincial decentralization. It may be said, as Sir Harvey Adamson did three years ago, that, though such legislation may be passed for the whole country, it may not be extended to a Province without a careful consideration of all its circumstances by the Government of India. How illusory this safeguard is was seen last January, when we woke up one morning to find that the Seditious Meetings Act had been extended indiscriminately to every Province by a single stroke of the pen. My Lord, I assure the Council that there is a very real fear in the minds of even the most thoroughly law-abiding citizens that this Act, when put in force, places them in a position of serious danger, and they further feel that they

may be exposed to the danger any moment without their having done anything to deserve it. A few utterances on the part of thoughtless young men or even a single utterance of that character may suffice for a whole district being suddenly proclaimed, and once it is so proclaimed every inhabitant of that district is at once put under what may be termed 'police rule.' No twenty persons can then meet even for the most innocent social purpose without being presumed to have gathered in a public meeting held without the permission of the authorities, and anyone may at any moment find himself accused of having taken part in such a meeting and wrongly punished or otherwise harassed in a variety of ways. And with the kind of the police we have in this country the fear of wanton or malicious harassment is not wholly imaginary. My Lord, I am aware that the question of the character of the Indian police has now assumed a form when it is difficult to discuss it without rousing a certain amount of feeling. There is no doubt, however, that as a class the police are not trusted by the bulk of my countrymen, and that innocent people often go about in dread of what they may do, and the position has grown worse since the formation of what is known as the Criminal Investigation Department. This is largely the result of two causes—first, the quality of the material from which our police force is drawn; and secondly, the lack of a spirit of self-assertion among the people generally. The Government no doubt have of late done a good deal to secure a better type of recruits for the force, but the improvement in this respect can only be gradual. Moreover, as long as the people themselves do not know how to take better care of themselves as against the police, things are bound to continue pretty much the same as they are at

present. What is absolutely necessary, however, is that the Government should not put additional powers into the hands of the police until a substantial improvement has taken place in their character and traditions. My Lord, it has been well said that more depends upon the manner in which a law is administered than upon the law itself. This is true of every law generally, but it applies, I think, in a special degree to repressive measures, and I feel bound to say that our experience in this direction has not been particularly encouraging. Take, for instance, the Press Act of last February. If ever there was a measure which should have been administered with the utmost care and tact and restraint, it was the Press Act passed last session at Calcutta. This was necessary to avoid all needless irritation. It was also due to those non-official Members of this Council who, in their desire not to add to the difficulties and anxieties with which the Government were then confronted, tried to go as far as they could in support of the measure. I grieve to say, however, that in most Provinces these obvious considerations have not been kept in view in working the Act. I will not now refer to those cases in which security was demanded from old concerns when they presented themselves for a mere formal change in their registration, in spite of distinct pledges to the contrary given both in the Statement of Objects and Reasons and in the speeches of Members of Government in this Council. It was no doubt the result of what must be regarded as defective drafting, and I am glad to note that it has now been set right to a great extent by executive action on the part of Government. But there have been cases in which heavy securities have been demanded from old concerns without specifying what their offence was, and for some time past a

regular sedition-hunt has been going on in some of the Provinces. Hardly a day now passes without some obscure sheet or pamphlet or old book being dragged forth from oblivion, and notified first by one Provincial Government and then by another as forfeit to the authorities. Now much of this is, to my mind, altogether futile, and it only tends to keep the Press Act in unnecessary and unpleasant prominence before the country. I think the exceptional powers conferred by the Press Act should be very sparingly drawn upon, and then, too, to meet only serious cases of objectionable and dangerous writing. I do not deny that the Act has exercised a restraining influence in some quarters where such influence was most necessary. But as against this we must place the irritation that is being continuously caused in the country owing to the feeling that the Act is being harshly or unjustly applied. The worst case in which the powers of the Act have been clearly misapplied is, to my mind, that of Mr. Mackarness's pamphlet. Mr. Mackarness had sent me a copy when the pamphlet was issued, and I had also seen the articles as they had at first appeared in the *Nation*. I can understand the objection that Mr. Mackarness had made a one-sided presentment of the case, or that he had not done justice to the efforts which the Government have recently been making in the matter of police reform, but that only means that someone else should have published a pamphlet in reply. Had anybody told me before the pamphlet was proscribed that the Government contemplated applying the provisions of the Press Act to it, I should have declined to believe the statement. And now that the pamphlet has actually been proscribed, I can only regard the action taken with deep humiliation and pain.

My lord, it will, I am convinced, be a grave blunder

to place the Seditious Meetings Act permanently on the Statue-book or to propose a further lease of life to it after March next, and I earnestly implore the Government to abandon the idea if they have it. In 1907, when the Act was first passed, there was this to be said in its favour, that the situation in the country was daily growing more and more anxious and no one knew where things stood or whither they were drifting. We were then moving on the upward grade of our troubles and the outlook was dark and threatening. To day, however, the situation is far different. The air has been largely "cleared," there is a much easier feeling throughout the country, and there is no doubt that the country is now on the downward grade of its anxieties.— The change has principally resulted from two causes—first, the Reform Scheme in its final form, which despite obvious imperfections constitutes an important step forward for my countrymen, has eased in no small measure the tension of the situation ; and secondly, the criminal excesses of thoughtless young men have shocked the bulk of the people into a greater realization of their own duty to the cause of law and order. I think, my Lord, it is now daily becoming more and more clear that the wild elements which by their reckless careering have been a source of so much anxiety, have now well-nigh exhausted themselves, and the return of the country to a normal state of things is therefore now only a question of time ; and nothing, I respectfully urge, should be done by the Government which will in any way retard this return. Not the heavy hand of coercion, but the gentle touch of conciliation and sympathy, of forbearance and oblivion—this is what the situation requires ; and I earnestly trust these healing influences will be forthcoming in ample measure to obliterate bitter memories and start the country again on a career of prosperity and progress.

THE SEDITIOUS MEETINGS BILL, 1911.

[On 20th March, 1911, the Hon'ble Mr. Jenkins moved in the Imperial Legislative Council that the Report of the Select Committee on the Bill to amend the Prevention of Seditious Meetings Act be taken into consideration. Mr. Gokhale, in opposing the motion, spoke as follows :—]

My Lord, it is with considerable reluctance and regret that I rise to take part in to-day's discussion. I had hoped, like so many of my friends, that the occasion for this discussion would not arise, that in view of the great improvement, which has taken place in the general situation of the country, and to which the Hon'ble Mr. Jenkins bore testimony the other day, the Government would not consider it necessary to prolong this legislation, and that in any case they would not seek to place the measure permanently on the Statute-book. As, however, the Government have come to the conclusion that they must continue to have this weapon in their armoury, and have it permanently, those who are unable to acquiesce in this view have no choice but to express their dissent, and that is why I must trouble the Council with a few observations.

My Lord, I do not propose to approach this question from the standpoint of abstract principles. Far be it from me to under-rate the importance of abstract principles. Abstract principles are usually derived from the accumulated wisdom and experience of ages, and in stimulating generous sentiment, in sustaining high ideals, and in lighting the path of life over dark and difficult ground, they are of inestimable value. But no thinker has ever urged that mere abstract principles should guide us, with-

out reference to the circumstances amidst which they have to be applied. Thus the abstract principle of freedom of speech must be taken in relation to the circumstances amidst which that freedom is claimed; and I am quite willing to concede that the theoretical objection to any proposed legislation that it restricts the right of free speech must be further supported by an examination of its practical consequences before it can be regarded as conclusive. But, my Lord, just as the right of free speech is an abstract right, so also the proposition that all loyal citizens must rally round the executive in maintaining law and order is an abstract proposition, and its value as a guide for practical conduct must depend upon the circumstances amidst which it is sought to be applied. I think, my Lord, when loyal citizens are called upon to rally to the support of the Government in any measures it considers necessary to maintain law and order, two questions have to be considered. First, what is the danger against which the Government wants to take measures, and secondly, what is the character of the measures which the Government wants to take? And this again leads us to another enquiry. Is the need of the Government urgent and immediate, or is the Government anxious only to take precautionary measures? If the need of the Government is urgent and immediate, then of course all ordinary considerations must be put aside, and every loyal citizen must range himself on the side of the Government in sanctioning and enforcing the measures that are thought to be indispensable. In a state of actual disturbance, in a state of dangerous activity on the part of elements hostile to the very existence of the Government, I can understand the Government calling on all loyal citizens to rally round it in this manner. But

where the measures contemplated are more precautionary than required to meet an urgent and immediate situation, where the measures contemplated are more against possible developments in the future than any present need, there, I venture to think, that a different set of considerations apply. Now, my Lord, it is freely admitted that the present situation of the country is not of a character to demand such legislation for immediate use. We have been told that very probably this law—when the Bill becomes law—will not be put into force at all in the near future. Therefore, it cannot be claimed that the need of the Government is urgent and immediate, and we are entitled to take it that the measure is intended to serve the purpose of a precautionary measure. Let us, therefore, examine the measure as a precautionary measure. And here there are two standpoints from which it may be viewed: one, the standpoint of the Government, and the other that of the representatives of the public who are called upon to assist the Government in such legislation. The Government naturally, in passing a precautionary measure, has, first of all, to consider how it can be made effective. A measure like this is not worth having unless it is reasonably effective. The representatives of the public on the other hand have first of all got to consider, since there is no immediate danger to be met, what harm is likely to result if the powers conferred by the measure are abused, and how to prevent such possible abuses. No one can deny that abuses are possible, even in regard to most carefully framed measures. Now, my Lord, so far as the effectiveness of this measure is concerned, I will freely admit, what has indeed been already admitted by so many of my Hon'ble friends, that, from the standpoint of the Govern-

ment, it could not have introduced a milder measure than this. The more objectionable features of the Act of 1907 have been removed, and if, when the need arises, this law is applied with reasonable care and caution, it is not likely to produce any serious hardship. I am free to admit that at once, and I do not think there is any difference of opinion on that point. But while the Government may claim to have removed from the old law its harsher features, we here, who represent the public, that will have to come under this law, have also got to consider what will happen if the powers which this law confers are abused; and from that standpoint, my Lord, I submit, that, though a great deal of cargo has been thrown out of the vessel, still enough remains to fill our minds with apprehension. Let us, my Lord, take the case of an area which comes to be proclaimed under this law. It is quite true that the Government of India will have first to extend the notification to the province; it is quite true that the Local Government will have next to proclaim the area, and that, too, now, after first obtaining the sanction of the Governor-General in Council; but after all, in the last analysis, it is the opinion of local officers that will generally prevail in these matters. If the local officers strongly hold that a particular area is developing a dangerous activity—whether it is actually doing so or not is a different question—if the local officers think so, the Local Government, in ninety-nine cases out of a hundred, will endorse that view; and when the Local Government urges this view upon the Government of India, I think it is very improbable that the Government of India will refuse to extend this law to that particular province and that particular area. Therefore, my Lord, in the last resort, it is the opinion of local officers that will really prevail; and when

once an area has been placed under this law, the Local Government and the Government of India will, so to say, be out of it, and it is the district authorities that will then apply the law and stand face to face with the people.

Now, my Lord, I do not wish to make any general or sweeping observations about district officers. The district authorities of this country try to do their duty as conscientiously as any body of human beings, similarly circumstanced, can do ; and they have their exceptional and their average men. There are in their ranks some who are exceptionally high minded and conscientious ; a large number who merely take a routine view of things, and do what they consider to be their duty without considering how it will affect the people ; and some who are intolerant of all criticism and who certainly will not hesitate to use the powers which a law like this will confer on them, in order to put down all political agitation, whatever its necessity or character. And I distinctly fear that in an area proclaimed under this law, there is no small likelihood of these exceptional powers being abused. It must be borne in mind that district authorities, in their turn, are dependent for their information upon the police and it is well known that the police of the country as a class are feared and not trusted. Therefore there is a serious danger that the powers under this Act may be abused ; and since there is this liability to abuse, it becomes necessary for the representatives of the people in this Council to consider what should be their attitude towards a measure of this kind. My Lord, I have considered this question long and anxiously, not only in connection with this particular measure, but also on other occasions, which have arisen in the past, as to what should be our attitude towards the repressive measures which the

Government comes to consider as necessary. The position, briefly, is this. The Government of India considers certain legislation to be necessary in order that certain evils, actual or anticipated, should be coped with properly. The Government's intentions, of course, are beyond question. The Government only wants the remedy to be applied to the evils and does not want any excessive zeal on the part of any of their officers. If the non-official Members of this Council take only the intentions of Government into consideration and raise no objection to the proposed legislation, they become responsible for that legislation along with the Government. As soon, however, as the legislation is passed, the matter gets out of the hands of the Government of India; and wherever the legislation happens to be enforced, every officer who administers the law comes to be armed not only with the spirit of the law but also with the letter of the law. And, then, when abuses occur, non-official Members, who have been assenting parties to the legislation, find themselves placed in a very awkward position. I will illustrate my meaning by what occurred last year in connection with the Press Bill. Last year, when the Government of India introduced a drastic Press law, it was a time of considerable anxiety for the Government. And if ever the Government was entitled to the co-operation of the people in repressive measures, it was at that time. A generous measure of Council reform had been conceded, and when the new Council was about to meet, a diabolical murder had taken place here in the very precincts of the High Court. The time was such that every generous sentiment urged one not to judge the proposals of Government in any very critical spirit. When the Government brought forward its measure, ample material was laid before the Select

Committee, which satisfied many of us that in several parts of the country, a section of the Press habitually went beyond all reasonable bounds and needed to be controlled ; and that if the Government were to rely merely on ordinary prosecutions, the evil was most difficult to deal with. When, therefore, it was proposed that some executive action within certain limits should be tried to cope with the situation, several Members of this Council came to the conclusion that we should not stand in the way. And when the Bill came up before the Council we did not oppose it, and practically gave a sort of reluctant assent to the measure. If ever, therefore, there was a measure, which should have been enforced with care and caution, it was that Press Bill. Apart from the fact that a harsh enforcement of the measure was liable to turn the feeling of the people against Government this special caution was due to those non-official Members who at a difficult time had come forward to range themselves on the side of Government. There was never any doubt about the intentions of the Government of India. We were assured, both in private conversations and in the speeches of Members of the Government in this Council, that the law would be applied only to extreme cases, that the past would be wiped off the slate, and that the measure would be enforced only in the case of new and serious offences. And in waiving our opposition to the measure, we permitted ourselves to believe that the remedy would be tried in that spirit. As soon, however, as the Bill was passed, Magistrates in all parts of the country started enforcing the provisions in the harshest manner, and the worst cases occurred, I am sorry to say, in my own province, Bombay. For the most paltry reasons, security came to be demanded, with the result that even thoughtful men, who deplored

the excesses of the Press, turned violently against those who had stood by the Government in the matter. I know the Members of the Government were themselves distressed to see this abuse of the Press Act. Sir Herbert Risley, who had introduced the measure, had gone, but Sir Harold Stuart, the Home Secretary, was here. I had a talk with him in the matter, and I know he was deeply grieved that this harassing overzeal was being displayed by Magistrates, who were enforcing the letter and not the spirit of the law. The difficulty, my Lord, in such matters is that it is impossible to communicate properly on paper the intentions of the Government of India even to the Local Governments, and further, if even it is found possible to do so, these intentions do not travel beyond the Local Governments; and hundreds of Magistrates all over the country, who come to be armed with the powers conferred by the law, do not think of the intentions or do not know anything about them. When I went back to Bombay last March, after the session of this Council was over, I found that the position of some of us had become, owing to the abuses of the Press law, almost intolerable; and this not merely in the eyes of those who were in the habit of talking wildly, but even of those who wanted us to give a reasonable sort of support to the Government; so much so that I thought it necessary to ask for an interview with His Excellency the Governor of Bombay and lay the whole matter personally before him. Sir George Clarke entered into our feelings at once, and with that readiness which has always characterised him to look into grievances brought personally to his notice, he promised to set the matter right at once; and then orders were issued, which stopped the whole scandal.

My Lord, the fear of such experience always weighs.

us down. We are quite willing to accept the statement of the intentions of the Government of India, as made known here. And we know that the Government of India has no other object in view than to put down the evils complained of. We know also that Local Governments will try to carry out those intentions to the best of their ability and as far as they understand them. But it is not the Government of India nor the Local Governments that ultimately exercise the powers; it is Local officers, scattered all over the country; and these officers, according to individual idiosyncracies, will interpret the law and enforce it. The whole question, therefore, is not so much a question of legislation as of executive administration. It has often been said—it is really a mere truism—that more depends upon the manner in which a law is administered than upon the law itself. And in the executive administration of the country we have absolutely no voice. If, in enforcing this law, non-official men were first consulted by district authorities, if their advice was sought beforehand, then there would be some safeguard against an abuse of these powers. If, for instance, district officers were to have round them district councils, as has often been suggested, and they were to put the powers of such law into force with the advice of the district councils, there would be some guarantee that no improper exercise or abuse of those powers, whether due to ignorance or excess of zeal, would occur. But as long as we have no opportunity of making our wishes known in the executive administration of the country, so long it becomes an exceedingly difficult matter for us to accept the responsibility which associating ourselves with the Government in such measures brings to us.

My Lord, after a great deal of consideration, I have

come to the conclusion that while things are as they are to-day, our co-operation with the Government cannot ordinarily go beyond two classes of measures—constructive measures taken for the moral and material well-being of the people, and measures urgently and immediately necessary to deal with actual or threatened disturbances. I will illustrate my meaning by an analogy drawn from the question of military expenditure. If war or invasion were threatened, I think, whatever our views about military expenditure may be, we all should be willing to come forward and support the Government in any measures—even extra taxation—which the Government might consider necessary to cope effectively with the danger; but that is in an abnormal and extraordinary state of things. In normal conditions we should jealously scrutinise our military expenditure and urge the Government to keep it within reasonable limits. In the same manner, where an abnormal situation as regards the maintenance of law and order in the country arises, we should brush aside all ordinary considerations and come to the support of Government in any measures that are really necessary for putting down or preventing disorder. After all, we do not want any sedition in this country any more than the Government does. Our hopes for the future are bound up with the peaceful maintenance of British rule; and in all measures, reasonably necessary for the maintenance of that rule, and reasonably applied, the Government is entitled to our co-operation and support. But there is the difficulty which I have spoken of, where measures are taken as mere precautionary measures, not required by any immediate necessities, but simply to guard against possible developments in the future. And I have come to the conclusion that, in view of the pos-

sibility of abuse, we must leave the responsibility for such measures to the Government. I admit* that, as the responsibility for peace and order is primarily with the Government, the judgment of the Government must prevail in the end in such matters; but as the Government has the power to enforce that judgment, whether in this Council or outside we should not be expected ordinarily to assent to the exercise of that power, and no occasion for complaint arises if we prefer to stand aside.

I will now say a few words on the Bill before us, and then resume my seat. I do not wish to go into the details of this measure. That has been done by many of my Hon'ble friends and I do not think anything has been left to be said on the subject. It is admitted freely that the Government has removed from the old Act its more objectionable features, and that, if an Act must be passed, the Government could not have made it milder. But I must urge again, what I urged at Simla in 1907 and what I also urged last year, that legislation in such matters should be passed in Provincial Councils and not in the Imperial Council. My Lord, I think it is unfair to everybody—unfair to the Government of India, unfair to the Members of this Council, unfair to the whole country—that such legislation should be passed here. The only justification for such measures is the prevalence of an exceptional state of things, and unless such a state of things is general throughout the country, a province which wants to be armed with exceptional powers should seek to pass the necessary legislation in its own Council. As most provinces possess their own Legislative Councils, there is no reason why the Government of India should ask this Council to accept a responsibility which should be borne by Local Councils. When the Government of India passes

such legislation for the whole country, it gives rise to a feeling of general irritation, and the irritation is greatest in those provinces which need the special legislation the least. A province that is disturbed recognizes more or less the need for some measure of the kind; but the provinces that are in a normal condition feel that they have been badly treated. Moreover, it is impossible here, whether in Select Committee or in Council, to consider all the circumstances of the different provinces, whereas, if a province which needed these extraordinary powers were called upon to legislate for itself, the circumstances of that province would be discussed with full knowledge by Members, both official and non-official, before a final judgment is arrived at. It has been stated that all the Local Governments are in favour of placing this legislation permanently on the Statute-book. I do not think, however, that that goes far. No Local Government, or for the matter of that no authority, would like to relinquish the powers which it already enjoys. A clear illustration of this is furnished by what has happened in the Rhotak district in the Punjab. When the proclamation of Rhotak was about to expire, the Deputy Commissioner of Rhotak and the Commissioner of the Division strongly urged its renewal. The Lieutenant-Governor would not agree to that—at the same time he is unwilling to let this Act expire. Thus each authority wants to keep the powers which it possesses, and it is not strange that all Local Governments have expressed themselves in favour of the permanent retention of the Act.

My Lord, if the Government had proposed to limit the duration of this measure to three, four or even five years, that would have considerably altered its character. It would then have meant that the Government wanted a

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temporary remedy for a state of things which it did not consider quite normal. If this had been done, it would have been easier for us not to stand in the way of this Bill passing into law. My Lord, if this measure were passed for five years, what would happen? I am quite sure that in five years things will so settle down that there will be no need for this measure. When this Act was first passed in 1907, Dr. Ghose and I pointed out that by itself it would not only prove no remedy for the state of things, but that it would drive discontent into more violent channels, and that what the situation needed was above all a large and generous measure of reform. And what we had prophesied actually came true; for in April 1908 the first outbreak of violence took place in the country. In November 1908 came the gracious message from the late King, the Proclamation of 1908, and it was followed soon after by the scheme of reform, which was announced by Lord Morley in his memorable speech of December 1908 in the House of Lords. The improvement in the situation of the country has been rapid since then, and further that improvement has been continuous; and, in spite of the two detestable outrages that have recently occurred, we all feel that, taking the country as a whole, the situation every day is improving and that it will not be long before the whole thing passes away like a hideous nightmare. That being our view of the situation, we feel, my Lord, that a temporary measure would have suited the requirements of the situation much better than a permanent measure of this kind. If, on the other hand, our estimate of the situation is found to be wrong at the end of four or five years, the Government has the power to renew the measure for a further period or indefinitely. There may

be some little agitation to be faced, but that is a small consideration compared with the fact that, in placing this measure permanently on the Statute-book just now, the Government is going against a large volume of public opinion. My Lord, let not the Government be influenced too much by the latest outrages. They are like the dying embers of a fire that is going out. A number of young men came under unfortunate influences under circumstances over which I will not dwell, but the responsibility for which must be shared equally between the Government and the people. There is much truth in the adage that it takes two to make a quarrel. I am not however going into that; I only want to say that for three or four years a wave of wild teaching passed over the land, and under the influence of that teaching a number of youths completely lost their heads and committed themselves to courses of conduct from which retreat was not easy. I think it is some of these men who are still responsible for these outrages. There may be a few more outrages in the near future—no one can say—but no new additions to the ranks of these men are taking place; the supplies have been cut off; and I feel quite sure that the situation will now grow better and better every day until at last only the memory of these times is left. I therefore urge, my Lord, that the Government should reconsider this matter even at this late stage, and limit the duration of the Bill to a period of three, or even five, years. If this is done, some of us, who are unable to assent to a permanent measure may find ourselves in a position to reconsider the line which we have decided to adopt.

[On the Hon'ble Mr. Jenkins moving that the Bill, as amended, be passed, Mr. Gokhale said:—]

My Lord, before this motion is put to the vote I

would like to make a few observations that have been rendered necessary by certain remarks which have fallen from my Hon'ble friend Mr. Ali Imam in the course of the somewhat exuberant support that he gave to this Bill. My Hon'ble friend marched through his speech, brandishing his sword high over his head, and dealing blows right and left at all and sundry, without considering whether they were really needed. However, I do not wish to refer to these attacks. But I feel I must remove some misapprehensions which are likely to be caused by what the Hon'ble Member has said with reference to my position last year over the Press Bill and my position to-day over the Seditious Meetings Bill. Before doing that, however, I hope my Hon'ble friend will let me remind him gently—and in this my Hon'ble friend Mr. Mudholkar has already anticipated me—that the word 'Opposition' is really not applicable to non-official Members sitting in this Council. I know that my Hon'ble friend meant to be complimentary when he spoke of me as the 'leader of the Opposition,' but we are far away yet from the time when the Government Members will exchange places with private Members in this Council, and until that time comes there can be no regular Opposition here, as the term is understood in Western countries. As a matter of fact, we support the Government here more often than we oppose it; and if, on any occasion, we have to differ, it is simply owing to our conscientious conviction that the view of the Government is not correct. I hope, therefore, that this description will not again be applied to us in future. My Lord, it was unfortunate that the Hon'ble Member had made up his mind as to what he was going to say before he had heard my speech; and therefore though I explain-

ed—I hope clearly—the difference between my attitude towards the Press Bill of last year and my position this year as regards the Seditious Meetings Bill, the Hon'ble Member did not take note of that explanation. My Lord, the Hon'ble Member was not fair to me when he said that last year I supported the Press Bill, though it was a permanent measure. In my minute of dissent appended to the Select Committee's Report, in the speech which I made when the Report of the Select Committee came up for consideration in this Council, and finally when amendments were moved—at all stages I most strongly urged that the Bill should be limited to three years only. I may further state that, even as regards the Press Bill, I never said that I *supported* the Bill. All I said was that I did not feel justified in opposing the Bill. These were the precise words I used :—“That in view of the situation that exists in several parts of the country, I have reluctantly come to the conclusion that I should not be justified in opposing the principle of this Bill.” I pointed out throughout the risks of that law, and I urged again and again that it was of the utmost importance that it should be temporary. Finally, when the time for moving amendments came, I moved an amendment that the law should be limited to three years : and I may mention that up to the last moment—and I think this is within the knowledge of many Hon'ble Members who were then present—there was some uncertainty as to whether the Government would or would not accept the proposal ; and as a matter of fact, before my amendment was put to the vote and lost, the Hon'ble Sir Herbert Risley, who was in charge of the Bill, went up to the Viceroy, and asked him before us all if he was to accept the amendment ; thus up to the last moment there was a chance of our proposal being accepted,

and we were influenced in our attitude largely by that hope. However, that, my Lord, is a small matter. The real difference between that Press Bill and this Seditious Meetings Bill, which the Hon'ble Member does not seem to realize, is this—under the Press Bill, only the man who actually writes takes the consequences. If a writer exercises reasonable care, keeps himself within certain limits, and writes with due restraint, there would probably be no trouble in his case. But under the Seditious Meetings Bill, while one or two men may make wild speeches in an area, once the area is proclaimed, all the people in that area are placed indiscriminately under the ban. And, in fact, the less objectionable a man's opinions are, the more he is sure to feel the hardship of this law. Take the place from which I come—Poona. Suppose there are some wild speeches made there, as may happen on any day, and Poona is proclaimed under this law; what happens? The men who will have brought down this on Poona will probably keep quiet, but all the rest of us, who are pursuing our ordinary activities, shall find ourselves placed under this new law, having to give notice of every meeting that we hold, having to obtain permission beforehand in certain cases, and being liable on occasions to be charged with holding meetings surreptitiously. My Lord, the Hon'ble Member is now a Member of the Government, but he comes from the mufassal and has had personal experience of the mufassal in the past, and he should know that in the mufassal fear of what the police may do is very real. I came from Poona, a mufassal place in the Bombay Presidency, and I can assure the Council that we have very real fear that the police might cause trouble without cause. I have got that fear myself and everybody whom I know has got that fear, and I think it is only fair that the

Government should know that this fear is entertained. My Lord, the Hon'ble Member says that this law keeps the police out. When I asked him on whose information the District Magistrate would act, he interpreted my suggestion as if it was a wholesale denunciation of the Civil Service! Nothing, however, was further from my mind. He himself must feel that it was not a fair interpretation to put upon my words, because I had taken care in my speech not to give room for such an interpretation. I had said that the district authorities were, like similar bodies of men, composed of persons, many of them average, some exceptional; and therefore my query could not be construed as a denunciation of the whole Civil Service. My Lord, the police are not out of this Bill. The District Magistrate will act—indeed must act—on the confidential reports that he receives from the Criminal Investigation Department and other Police officers. You may say that he will examine these reports carefully and try to arrive at an impartial judgment. He may do so, but mistakes will take place as they have taken place in the past. You cannot avoid making mistake in such positions. Last year, when certain District Conferences were stopped in Eastern Bengal, when even a meeting of the depressed class was prohibited, what was the justification? In my humble opinion, these prohibitions were undoubted abuses of the powers under this Act. I do not know what view the Hon'ble Member holds about those orders, but these things are likely to happen again in proclaimed areas. My Lord, my Hon'ble friend quoted from a description which I gave last year of the state of the country, when I said that I did not want to stand in the way of the Government trying the remedy of executive action in regard to the writings in a section of the Press. But, my

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Lord, Hon'ble Member ignores the difference between the Press and the Platform. In the Press, a man can do mischief from day to day without being noticed. Who is going to notice ordinary writings, unless there is something sensational to attract attention? But you cannot hold seditious meetings without attracting the attention of all. The Press and the Platform, therefore, as instruments of sedition, do not stand on the same level. Apart from that, however, the position last year was undoubtedly different from what it is to-day. I have already stated in my observations on this Bill that after the introduction of reforms in December 1908, a rapid improvement began: those who have had experience of the time before and after, will, I feel sure, corroborate what I say. The Press Bill, however, came up within less than two months after the introduction of the reform, and much time had not elapsed for things to settle down. And when I spoke of the state of certain parts of the country at that time, I did feel that the air was charged in many places with anti-English ideas, and I did say that it was necessary in our own interests that it should be cleared of those ideas. And that was why I did not want to stand in the way of the Press Bill being tried. But, my Lord, the situation has vastly improved since then, and were it not for the two recent, miserable outrages, I am quite sure there would have been but one opinion even in this Council, that there was no comparison between the state of things a year ago and to-day. These outrages, however, should not be allowed unduly to influence the mind of the Government. In any case that is my view, and I respectfully submit it to the consideration of the Council.

THE PRESS BILL.

On 8th February 1910, the Press Bill which has been introduced by the Hon'ble Sir Herbert Risley, Acting Home Member, at a previous sitting of the Imperial Legislative Council, and referred to a Select Committee, was taken up for consideration by the Council, H. E. Lord Minto being in the chair. Mr. Gokhale made the following speech on the occasion :—

My Lord, it is a cruel irony of fate that the first important measure that comes before the Reformed Council is a measure to curtail a great and deeply cherished privilege which the country has enjoyed, with two brief interruptions, for three-quarters of a century. But while the plans of statesmen have matured slowly, events designed by malignant fates to frustrate their purpose have moved faster. And thus we find that just when the scheme of reforms has materialised, the sky is dark with clouds which probably will roll away before long, but which for the time wear a threatening aspect. My Lord, I confess that the regret with which I approach a consideration of this Bill has been deepened by the fact that the measure is being hurried through its several stages by suspending the standing orders and without giving the country practically any opportunity to express its opinion on it. In saying this, I do not forget the fact that Lord Lytton's Act of 1878 was introduced and passed at one sitting, nor do I overlook the consideration shown by Your Lordship, after deciding to suspend the standing orders, in giving us at least these three days for consideration and in referring the Bill to a Select Committee. But, my Lord, was this unusual procedure necessary? Surely a week or ten days' delay in

enacting this measure would not have made any appreciable difference to anybody, since the Bill seeks to apply to the situation what at best can only be a slow remedy. However, I do not wish to pursue this point further; I might not have said even this much, had it not been for the fact that the Government has been reproached in certain quarters for giving us even these three days.

My Lord, in the minute of dissent which my Hon'ble friend Mr. Mudholkar and I have appended to the Report of the Select Committee, we have briefly stated our position in regard to this measure. That position I would like to amplify in the few minutes for which I propose to occupy the attention of the Council. It is admitted on all hands—the Hon'ble Member in charge of the Bill has admitted it in his speech—that the Penal Code is amply sufficient to *punish* sedition and that the special legislation of last year can effectively put down incitements to violence. What is contended however is that the punishment of seditious writings and utterances under the Penal Code, so far from restricting the area of sedition, actually widens it by reason of the unhealthy excitement it causes and keeps up for months, the rush of natural sympathy of the public to the accused, the crown of martyrdom that comes to be placed on their heads and the amount of odium which the proceedings bring to the Government. And it is urged that the Government is convinced that the right plan to deal with sedition is to proceed by way of prevention rather than by way of punishment. Now, my Lord, I will at once admit that there is considerable force in the whole of this contention. But even so, section 108 of the Criminal Procedure Code which is a means of prevention and which was introduced into the Code twelve years ago for the express purpose of placing such a means at the disposal of

the Government, should have been sufficient, and what I cannot quite understand is why it has not been found effective. The only explanation I have heard is that the proceeding under that section being judicial and liable to revision by the High Court, it practically means a trial for sedition, with this difference only that the person proceeded against, instead of being severely sentenced, is merely called upon to give security. But this was precisely the chief merit claimed for the section when it was enacted in 1898, as a reference to the proceedings of the Council of that time will show. My Lord, I cannot help saying that it would have been fairer to the Legislature if the Government had tried section 108 of the Criminal Procedure Code in some cases, instead of allowing it to remain practically a dead letter, before applying for fresh powers. Or if it was considered that the time had gone by when the section, as it stood, could be usefully applied—I myself am inclined to think that in some parts of the country the evil has now gone beyond the stage where section 108 could be applied with much effect—a proposal to amend the section so as to make its operation more simple and expeditious would have caused less disturbance to our ideas on this subject and would undoubtedly have been more acceptable.

My Lord, the principal addition which the Bill makes to the powers already possessed by the Government for dealing with sedition is that it makes the taking of security from printing-presses and newspapers a purely executive act. It also empowers the Executive to order the forfeiture of such security and even the confiscation of printing presses on the ground that an offence has been committed, though here an appeal is allowed to a Special Tribunal of High Court Judges. These are the main provisions and

they embody what may be called the principle of the Bill. My Lord, in ordinary times I should have deemed it my duty to resist such proposals to the utmost of my power. The risks involved in them are grave and obvious. But in view of the situation that exists in several parts of the country to-day, I have reluctantly come, after a careful and anxious consideration, to the conclusion that I should not be justified in opposing the principle of this Bill. It is not merely the assassinations that have taken place, or the conspiracies that have come to light, or the political dacoities that are being committed, that fill me with anxiety. The air in many places is still thick with ideas that are undoubtedly antagonistic to the unquestioned continuance of British rule, with which our hopes of a peaceful evolution are bound up and this is a feature of the situation quite as serious as anything else. Several causes have contributed to produce this result, of which the writings in a section of the Press have been one. And to the extent to which a remedy can be applied to these writings by such executive action as is contemplated in the Bill, I am not prepared to say that the remedy should not be applied. There is no doubt that even if the powers conferred by the Bill are exercised judiciously some inconvenience and even hardship is inevitable to well-intentioned concerns. And if the powers are not exercised with care, great harm is bound to follow. Moreover, as long as this law continues in force, even the best Indian concerns must work in an atmosphere of uncertainty and apprehension. But all these risks may be temporarily borne if they help in some measure to free the air of ideas of which I have spoken. Only it is of the utmost importance that they should be temporary, and I therefore most earnestly urge that the operation of this law should be limited to a period of three years only.

Further, I think the rigour of some of the provisions can well be softened without rendering the Bill less effective. With these, however, I will deal when I move the amendments of which I have given notice.

My Lord, I have said that the situation in several parts of the country is an anxious one. That however does not mean that in my opinion things are really going from bad to worse. On the contrary I entirely share the view which was so clearly and firmly expressed by Your Lordship on the opening day of this Council—a view in such striking contrast to the nervous opinions that one hears on so many sides, especially in this city—that the general situation is far easier to-day than it ever was during Your Lordship's time. There is no doubt whatever that the Reform Scheme, despite considerable dissatisfaction about details, has largely eased the tension of the situation and has brought over to the side of the administration factors that might otherwise have remained sullenly or helplessly aloof. There is no doubt also that these wicked assassinations and dacoities which have been disfiguring the page of Indian history since last year have at last roused the Indian community to a sense of the great danger in which it stands. Our community is a slow-moving community, but once it begins to move, it moves surely. And any one who can read the signs may see that it has shaken off its lethargy and begun to advance to the support of law and order. My Lord, the crop of violence that has now come to the surface had its grounds prepared five years ago. I sincerely believe that no new ground is being added to it, and though we may not have seen the last of these outrages, I think we are nearer the end than many imagine. But the juncture is a most difficult and delicate one, and if ever any juncture called for the utmost tact and conciliation, such as we have

now learnt, despite repressive measures to which you have been from time to time driven, to associate with Your Lordship's name, that juncture is the present. Angry cries for reprisals, however natural and even justified, will not mend matters and will certainly not assist the task that lies before the Government. My Lord, I am not one of those who think that any appreciable section of the Indian Press has always been seditious or that the press in India has, on the whole, done more mischief than good. On the contrary, our Press has been in the main a potent instrument of progress; it has quickened our national consciousness; it has spread in the country ideas of justice and equality not only between man and man but also between class and class; it has stimulated our public spirit; it has set us higher standards of public duty. And till five years ago, I do not think that, barring a very few exceptions, any section was actually seditious, if by sedition a desire to see British rule overthrown is understood. A considerable proportion was no doubt often ill-informed, prejudiced, even intolerably bitter in its comments on the administration and its measures; but this sprang mainly from ignorance and from feeling that grievances were not redressed, and not from any actual hostility to the rule itself. During the last five years seditious ideas have no doubt spread more or less in all parts of the country and in some parts more rapidly and extensively than in others. This, however, has been due to special causes which are now well understood and over which it is unnecessary to dwell. I think, my Lord, my countrymen are now growing alive to the fact that nothing is more surely destructive of our hopes of future progress than the spread of these ideas in the land. In my opinion, our first duty is to help in removing these ideas from the air,

and because I feel this most strongly, I am prepared to let the Government apply to the situation even the drastic remedies contemplated by this Bill. I do not know if we shall succeed in overcoming the evil altogether. Even if it lies dormant for a time, there is much in the situation itself which will constantly tend to stir it into fresh activity. I have already said that several causes have combined to bring about the present state of things. It is of course impossible to go into all of them, but one of them may be mentioned—it is the writings in a section of the Anglo-Indian Press. My Lord, I doubt if many Englishmen realise how large a share these writings have had in turning so many of my countrymen against British rule. The terms of race arrogance and contempt in which some of these papers constantly speak of the Indians and specially of educated Indians cut into the mind more than the lash can cut into the flesh. Many of my countrymen imagine that every Anglo-Indian pen that writes in the Press is dipped in Government ink. It is an absurd idea, but it does great harm all the same. My Lord, I feel bound to say that this Bill by itself cannot achieve much. It is even possible that the immediate effect of its passing will be to fill the public mind with a certain amount of resentment. And unless the powers conferred by it are used with the utmost care and caution, the evil which they are intended to combat may only be driven underground. Force may afford temporary relief, but it never can prove a permanent remedy to such a state of things as we have in this country. It is only in the co-operation of all classes and the steady pursuit of a policy of wise conciliation on the part of Government that the best hopes of thoughtful men on both sides for the future of this land must lie.

INDIAN TARIFF (AMENDMENT) BILL.

[On 4th March 1910, the Hon'ble Sir Guy Fleetwood Wilson, Finance Member of the Government of India, presented the Report of the Select Committee on the Indian Tariff (Amendment) Bill, and His Excellency Lord Minto, who was in the chair, having suspended the rules of business, the Report was taken into consideration immediately. The debate that followed was opened by Mr. Gokhale with the following speech :—]

My Lord, before the Council proceeds to a consideration of the several amendments of which notice has been given, I would like to make a few observations on the general financial situation which in the opinion of the Hon'ble the Finance Minister has necessitated the imposition of fresh taxation. Hitherto fresh taxation has been associated in our minds with war or famine or a sudden increase in military charges or a falling exchange. This is the first time, so far as I am aware, when it is proposed to levy additional taxation in a normal year, free from any specially disturbing factors. The Finance Minister has told us that opium and East Bengal are responsible for the new burdens sought to be imposed upon the country. He expects the opium revenue for next year to fall short of the amount realised during the current year by £872,000 or about a crore and thirty lakhs; and he is called upon in addition to find an extra quarter of a million, or thirty-eight lakhs, to relieve the embarrassment of the Government of East Bengal and Assam. In the Finance Minister's opinion, therefore, the principal share of the responsibility for the present difficulty falls on opium. Now, my Lord, I think it is necessary to protest against

this view. Even assuming that the estimate of opium revenue for next year is not an under-estimate, we still find that the net receipts budgetted for under opium are $3\frac{1}{2}$ millions sterling which was precisely the amount of the net opium revenue realised in 1907-08, when there was no deficit and when the policy of gradually extinguishing the opium revenue in ten years was laid down. In announcing that policy, His Honour Sir Edward Baker, who was then Finance Minister, expressed himself as follows :—

Twenty years ago or even less, the prospect of losing a revenue of five and a half crores a year would have been a cause of very grave anxiety. Even now, if the whole or a great part of the revenue should be struck off at a blow, the dislocation of our finances would be serious and might necessitate recourse to increase of taxation. But if, as we have a clear right to expect, the transition is effected with a due regard to our convenience and spread over a suitable term of years, the consequences may be faced if not with equanimity, at least without apprehension.

And again :—

The point which I wish to emphasise at present is that there is no need for despondency and that if all goes well, there is nothing worse to fear than the absorption for a few years of the means of affording further relief to the taxpayer and of incurring useful expenditure for the development of the country.

Sir Edward Baker was thus prepared three years ago to face the loss of a tenth part of the opium revenue of 1907-08 every year without having recourse to extra taxation, if the circumstances of the country continued normal. And the Government should have been prepared to-day to part with three-tenths of three and a half millions, that is, about a million sterling. Instead, however, of the net opium revenue being only $2\frac{1}{2}$ millions sterling, the Hon'ble Member has actually budgetted for $3\frac{1}{2}$ millions for next year, and yet he throws on opium the main responsibility for his additional taxation ! No, my Lord, if fresh taxation has really become necessary, which I, for one, venture to doubt, we must look for an explanation deeper. It is true

that Eastern Bengal is now to have 38 lakhs a year more from the Imperial Government, which means that the partition of Bengal is now going to affect the whole country materially as it has already done politically. But as our normal growth of revenue is about a crore and twenty lakhs as once estimated by Sir Edward Baker, it is clear that the increased allotment to Eastern Bengal and Assam need not by itself have led to extra taxation. To understand what has really brought about a deterioration in the financial position of the country, we must go back to the year 1907-08, and compare the figures of revenue and expenditure for that year with those in the budget proposals for next year. Taking both receipts and charges net, as given in statement E—and that is the best thing to do for purposes of a real comparison—I find that the total net receipts under major revenue heads for next year are estimated at 3 millions sterling more than for 1907-08—the opium receipts being the same for both years, namely, $3\frac{1}{2}$ millions, but land revenue being two millions more for next year and there being a total increase of another million under other heads. I also find that as against this increase of 3 millions, there is a deterioration, under railways of over a million, an increase of no less than 1·01 millions under net charges of civil departments, nearly half a million under military services, and over half a million under interest, telegraph, minor and other heads. To my mind, therefore, it is clear that the main responsibility for our present difficulties rests on the shoulders of the civil departments and the Railway Board. My Lord, I cannot help saying that an increase of nearly 2 millions sterling in the net charges of the civil departments in three years is a phenomenal increase and needs explanation. I will not say that I am much surprised, for during the

last few years there was hardly ever a day when we did not hear of higher scales of pay being sanctioned for the superior officers of some civil department or other. The operations of the Railway Board, too, which called forth a sharp remonstrance from His Honour the Lieutenant-Governor of Bengal last year, have had the inevitable effect of throwing on the resources of the Government a steadily increasing burden of working expenses. In addition to these two causes, I am of opinion that the prevalence of high prices in the country is bound to affect the Exchequer adversely in two ways. First, the Government, as the largest purchaser in the country, has to pay more for its purchases, and secondly, the pressure of high prices on the resources of the people tends to diminish the revenue contributed by them to the Government under several heads. I think, my Lord, that all these questions need a careful investigation. I had hoped, from the observations made by the Finance Minister in his Financial Statement last year, that he would not turn to fresh taxation until at least a policy of severe retrenchment had been carried out in all departments. It appears, however, from the present Financial Statement that the Hon'ble Member has almost given up the unequal struggle. The forces that make for economy in this country are extremely weak, while those that make for continuous increases on expenditure in different departments are enormously strong, and one of the greatest needs of the country is to devise measures which will effectively safeguard the interests of economy.

My Lord, the proposed enhancements of duty under the Tariff Bill are expected to bring in an extra million sterling or a crore and a half of rupees, half of which will be contributed by tobacco and liquors and the other half by silver and petroleum. Now, I strongly hold that there

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is really no need for this extra taxation. In the first place, if the circumstances of the country continue normal, the estimates for the next year framed by the Hon'ble Member will be found to be too cautious. Under salt, for instance, I am confident that the increase will be considerably more than what has been budgetted for. Again, those who are well acquainted with the conditions of the opium trade are clearly of opinion—my Hon'ble friend Sir Sassoon David is a recognised authority in regard to that trade and he strongly holds the view—that in view of the special circumstances of the Chinese market, the rate of Rs. 1,750 per chest of opium which has been taken for next year is much too low and that Rs. 2,000 a chest will be a safe estimate. Lastly, I wish to draw the attention of the Council to the fact that a sum over three-fourths of a million sterling has been provided in the budget for the redemption of railway debt out of revenue. My Lord, I consider that this is an amazing thing to do, absolutely unjust to the tax-payers, when the Finance Minister comes forward with proposals for extra taxation on the ground that the money that will otherwise be raised will be insufficient for current purposes. Railway debt is productive debt. Even now, in spite of the fact that the Railway Board has pushed up working expenses in all directions, the railways are more than paying the interest on their capital, and there is absolutely no need—I think it is wholly unjustifiable—to devote a part of revenue to the reduction of productive debt. The three-fourths of a million, which represents the capital portion of railway annuities, should clearly come out of loan funds raised for the purpose, and not out of current revenue which is needed for so many pressing current purposes. Even assuming that the Budget estimates are not framed too

cautiously, and that the whole of the money proposed to be raised by the contemplated enhancements of duty under Tariff Bill is really required, the transfer of the amount provided for the redemption of railway capital from revenue to capital will enable the Government to dispense with the enhanced duties on silver and petroleum. My Lord, I have no objection to the proposed enhancement of tobacco and liquor duties if there must be extra taxation. In my opinion, however, spirits used in medicinal preparations should be exempted from duty. But I object most strongly to the proposed enhancements on silver and petroleum. The duty on petroleum will necessarily hit the poorest classes in the country. Burma oil may get some advantage under it, but I am afraid the price of even that oil will be raised, if not to the full extent of the new duty, at any rate by a large proportion of it. And as regards silver, I hope even the Finance Minister now sees that a great mistake has been committed in proposing the enhancement. It is bound to add seriously to the great difficulties through which the mill industry is at this time passing. My Lord, the country had a right to expect that the Government would not show such disregard of the interests of its greatest industry after agriculture. The action of the Government, while injuring Indian exporters of yarn, will benefit Chinese producers and thereby bring sensibly nearer the day when India will lose her yarn market in China altogether. It has been claimed for the proposal of Government that it will appreciate the silver trinkets of the mass of poor people throughout the country. The poor people will probably have no opportunity of testing that till a famine comes, when they might have to part with their trinkets. Meanwhile, in ordinary times they will find themselves

adversely affected by the duty every day, as they will have now to pay a higher price for all fresh investments of their small saving in silver. My Lord, I strongly urge even at this last moment that the proposed enhancements of duty on petroleum and silver should be given up. If the Government insists on having the half million which they are expected to bring in, there are other ways far less objectionable of raising the amount. For instance, an enhanced import-duty on sugar will be greatly preferable to the enhanced duty on petroleum, and a small export duty on jute, of which we have a monopoly in the world, with a countervailing excise in India, if necessary, will bring in more revenue than the proposed duty on silver and will have much to recommend it. My Lord, I advocate an export-duty on jute on two grounds. In the first place, it is partly for meeting the increased cost of administration in Eastern Bengal that the new taxation is proposed. It is therefore only fair that Bengal, which already pays less than other provinces owing to her permanent settlement, should find the money by a tax on one of her great staples. Secondly, it is not just that, while the cotton industry of Bombay is already taxed, a further burden should again be laid on it, and the jute industry of Bengal should go altogether free. An export-duty on raw hides and skins which are being exported in enormous quantities may also bring a considerable revenue, and the same may be said of seeds. Or, if the Government prefer it, they may raise (and later lower) according to their needs the whole of the custom duties taken together, treating them in India as they treat the income-tax in England. I think, my Lord, that that would be preferable to selecting a few commodities like silver and petroleum for heavy enhancement.

SURPLUSES AND SANITATION.

[On 5th March 1910, the 1st stage of the discussion on the Financial Statement for 1910-11 was taken under the rules of the Reformed Councils, the Hon'ble Sir Harvey Adamson, Vice-President, being in the chair. At this meeting, Mr. Gokhale moved that "this Council recommends that the amount of loan to be raised during the year 1910-11 should be £1,245,900 instead of £1,000,000 and that the sum of £245,900, which is the estimated surplus for the current year, should be allotted to the several Provincial Governments to be expended by them in assisting local bodies to carry out projects of sanitary improvements"; and in submitting this resolution to the Council Mr. Gokhale made the following speech:—]

He said :— I must first explain to the Council what my object is in moving this resolution. It is true that the resolution comes before the Council in the shape of a proposal to raise the amount of the loan that the Government want for next year. As a matter of fact, however, it is not an essential part of my proposal at all that the loan should be raised from 1 to 1½ millions. Whether the loan for next year is 1 or 2 millions or half a million is a matter of indifference to me; but I have had to put my motion in this form, because I do not want to disturb the provision made in the budget for capital expenditure and I do not want to disturb the cash balances that the Government expect to have for next year, after making this provision for capital expenditure. My real object is to secure the surplus of the year for expenditure in the promotion of sanitation throughout the country. What usually happens under the procedure adopted in connection with a surplus is this. The surplus

forms part of the cash balances, and out of the cash balances a certain amount is devoted to capital expenditure, whenever this is practicable, and thus the surplus ultimately finds its way into capital expenditure. I want to withdraw the surplus for next year from being expended as capital expenditure, and I would like to have it placed at the disposal of Local Governments, in order that they might use it in assisting local bodies, especially municipalities, in carrying out projects of sanitary improvement. The whole of my resolution comes to this, that I want this Council to recommend that all surpluses that are annually realised, whenever they are realised, should, instead of going into the cash balances, and from there going into the construction of railways and indirectly to the redemption of unproductive debt, should be placed at the disposal of Provincial Governments and be ear-marked to assist municipalities in the promotion of sanitation. I have urged this question again and again on the attention of the Council for the past six years. I first raised it in 1904, and I have continued to press it year by year. Two years ago the then Finance Member, Sir Edward Baker, gave us about 30 lakhs to be expended on sanitation by municipalities. That was a small response to the appeal that I made year after year, but, with that exception, my appeals have had no effect. Starting with the year 1898-1899, we find that we have had, during the ten years, ten consecutive surpluses amounting to 25 millions sterling or 37½ crores. And the bulk of them have, under this system of accounts, gone first to Railway construction and from there to the reduction of our unproductive debt. Now, railway construction is a most desirable object, and so is also the reduction of the unproductive debt. Ordinarily, there would be nothing to be said against it, but at present,

when there are objects, far more pressing and far more important, which require money, I do not think the Government is justified in devoting such a large sum out of surplus revenues in the way they have done. If this sum of £25 millions sterling, or 37½ crores of rupees, or at any rate the bulk of it, had been devoted to sanitary projects throughout the country, what a difference it would have made in every direction! I do not think I need say much about the needs of sanitation; the ravages of plague, malaria and other diseases in all directions and a death-rate already high and yet steadily rising—for 1907-1908 it was 37 per thousand as against 35 per thousand in the three previous years—all that show that one of the greatest needs of the country to-day is improved sanitation. How is the need to be satisfied? Our municipalities are admittedly very poor, their resources are small and they are already insufficient for their ordinary work. Sanitary projects are very costly; expenditure on them has to be on a Western scale, whereas it has to be carried out in Eastern cities, which, as I have already said, are very poor. If municipalities are left to themselves to undertake sanitary works, the case is a hopeless one; therefore Government must come to the rescue of the municipalities. The only way in which Government can do so is either by voting a large permanent annual grant, or by placing their surplus at the disposal of Provincial Governments for assistance to local bodies in carrying out these necessary works. As regards a large permanent grant, I should be very glad to see it, but I foresee obvious difficulties in the way, especially in a year like this, when the Finance Minister has just carried through Bills imposing extra taxation; it is therefore hopeless to expect that Government will make a

permanent addition to its recurring expenditure for the purpose of assisting municipalities in regard to sanitation. But there is an easier way of helping them, and it is a way that will meet the requirements of the situation. What I propose is this. Whenever a surplus is realised, instead of its being devoted to Railway construction or some such object, it should be placed automatically at the disposal of Local Governments. A surplus is so much excess revenue taken from the people by the Government over and above its requirements. • Even the Finance Department, that knows so much more than its critics, cannot calculate to a nicety how much money is required and how much will be raised in a given year. But when a surplus is realised, it is clear that the financial authorities have taken from the people more money than was required. Let this excess therefore go back to the people in the form of expenditure on improved sanitation. I think this is an eminently just plea, and I think that it is also a plea whose force should be recognised in the interests of the masses of the people. I know what was often urged by the late Finance Member, Sir Edward Baker, that it is the practice in other countries to devote surpluses to the reduction of debt. That is true, but I would remind the Council of what Sir Herbert Risely said when carrying through his Press Bill the other day. He said :—" Let India be guided by her own lights : she has her own problems and must solve them in her own way." Where the debts are huge as in England and other European countries, every opportunity should be taken to reduce the debt by means of a Sinking Fund or in any other way that it is practicable. In India the unproductive debt is a mere bagatelle ; it is a paltry sum of 40 millions—it should be remembered in this connection that it is only the unproductive debt that matters.

The reduction of the productive debt is not a matter of any importance, and should not be undertaken by Government out of the revenue of the country. The unproductive debt has got to be reduced, but as it is only about 40 millions, its reduction is not a matter of such immediate or paramount importance as the promotion of sanitation throughout the country. Sir, I have not much more to say. I would only urge this in conclusion that if the whole of this surplus cannot be made available, I am quite willing to agree to half the surplus being placed at the disposal of Provincial Governments. All that I insist on is that a surplus should not be absorbed by Government in the way it does at present.

[Replying on the debate that ensued, Mr. Gokhale made the following speech :—]

The Hon'ble Mr. Gokhale said :— Mr. Vice-President, I would like to say a few words by way of reply to the observations that have fallen from some of the members before the Hon'ble the Finance Minister has the final word in regard to this resolution so far as this year is concerned. I will first take up what the Hon'ble Mr. Madge said on this subject. Mr. Madge's difficulty is that I have proposed no principles on which the surpluses might be distributed by the Imperial Government among the Provincial Governments, if my resolution is accepted. Well, the answer to that is simple. The Government of India would have entire discretion in the matter just as they always have whenever they are distributing extra grants among Local Governments. Two years ago, when His Honour Sir Edward Baker placed 30 lakhs at the disposal of the Local Governments, he used his discretion in allotting the grants to the Provincial Governments. The same will happen if my resolution is carried.

* As regards what the Hon'ble Mr. Slacke said, that only in a way confirms my principal complaint. Of this 30 lakhs that the Government of India then gave to Provincial Governments, Bengal got $4\frac{1}{2}$ lakhs and I suppose the Bengal Government wanted to distribute this sum among the different municipalities, giving a small sum here, a small sum there, and a small sum to a third municipality, and they wanted the municipalities to provide double that amount probably out of their own current resources in order to carry out some works of improvement. Now, I entirely object to this. What we need is large sanitary projects in important cities. But large sanitary projects cost plenty of money. In Poona, for instance, we have been wanting drainage for a long time very badly. The estimates given by different engineers have been 45 lakhs, 22 lakhs, and 16 lakhs the lowest, and so on. A single municipality, therefore, if it is to be effectively assisted, would absorb more than your $4\frac{1}{2}$ lakhs, but that would be a far more effective way of applying such grants.

The Hon'ble Mr. Slacke :— That is exactly what was done.

The Hon'ble Mr. Gokhale :— But $4\frac{1}{2}$ lakhs cannot go any great length in a big town where you want (say) 25 lakhs. But that is not the whole of my contention. I hold that even this one-third and two-thirds distribution of expenditure is beyond the powers of our municipalities. I have already pointed out that our municipalities are very poor. What are the sources of their income, what is the property which they can tax? House property they tax, but in most towns it is extremely poor property. They have a road-cess, a conservancy cess, and one or two other cesses, and they probably have an octroi duty. What

more is there in an ordinary city to tax, so that a municipality can derive any income? In Poona, for instance, where I had the honour to be at the head of the municipality for five years, we were practically bankrupt all the time I was there. It was a time of plague, and every pie we could spare was used in connection with plague operations. The roads had to be neglected, and the schools were cut down.

Well, I think that if these sanitary projects are to be carried out, the Government must contribute much more than this one-third. In some cases, Government may have to find the entire amount if these works are to be undertaken. This is a situation which must be understood clearly. The Government constructs railways. Suppose some of the railways had been left to private enterprise in this country, where would our railways have been to-day? Suppose large trunk roads had been left to District Boards, where would trunk roads have been to-day?

I do not think it will do for Government to say that this is a matter which concerns municipalities alone, and they must find the bulk of the money. Government may as well say that they do not care whether there is improved sanitation or not in the country. Another point I would like to submit in this connection is that the present distribution of resources between Government, Imperial and Provincial on one side, and the local bodies on the other, is absolutely unfair to local bodies. If the local bodies had sources of revenue placed at their disposal which could bring in some considerable revenue, then I could understand the Government throwing the responsibility of constructing sanitary works on these local bodies, but in the struggle that they have to carry on to merely maintain themselves, it is almost cruel to expect these municipalities to find money for these vast undertakings.

I will now come to what the Hon'ble Mr. Meston said in reply to my resolution. The Hon'ble Mr. Meston's attitude is the old orthodox attitude of the Finance Department towards this question. I cannot hope to succeed where so great and powerful a member of the Government, as our late Commander-in-Chief Lord Kitchener failed, because I understand that he often and very vigorously maintained the view which I have urged in this Council year after year. However, I mean to persevere. There were certain things which the Hon'ble Mr. Meston said which, if he will pardon my saying so, appeared to me to be somewhat curious. For instance, he said that if my resolution was accepted the unproductive debt of the country would be increased, and then the credit of the Government of which I have spoken would be affected. I do not know how the debt of the Government is going to increase if my resolution is accepted. I do not propose you should borrow, if you wish to help municipalities. Your unproductive debt is only about 40 millions to-day. Surely, if you do not borrow more I cannot see how it is going to increase. It could not, of course, diminish unless you devoted a portion of your surplus towards a further reduction, but certainly it could not increase. It is true you may have to borrow during famine times. That is another question ; that has a history of its own, and you have to go back thirty years to understand that history. When the big famine of 1876-1878 occurred in this country, the Government estimated that on an average in about ten years from 10 to 15 crores were needed for actual famine relief and for avoiding the loss which occurred to Government in connection with revenue and so forth ; and they therefore in the year 1879, when Sir John Strachey was Finance

Minister, imposed extra taxation to provide this fifteen crores in ten years' time—the amount that they expected to be lost by the State by direct famine losses and losses in connection with revenue. This tax is a part of the general taxes of the country. It has been added to since then; it has not been taken away, and so there you will find the provision for preventing the growth of debt owing to famines. There is the standing provision out of the revenues of the country of half a million; in this year's budget, you will find there is this provision of a million sterling a year, half of which is ordinarily devoted to the reduction of debt in order that, when famine times come, the Government should, if necessary, be able to borrow and yet the debt may not be increased. Then the Hon'ble Member stated that the surpluses of which I have spoken had come from the earnings on railways—they were profits from railways. Now, I have not got the exact figures before me and I am speaking only from memory, but I am sure the Hon'ble Member is wrong. The profits from railways have not come to 20 millions in the last ten years, or even half that amount. I think the highest profit from railways was in 1906-07—the last but one year of Sir Edward Baker's tenure as Finance Minister—and it was then I think $2\frac{1}{2}$ millions. The next year it was $1\frac{1}{2}$ million or thereabouts. The total profits from railways during the last few years when railways have been paying, have not, I think, been more than 7 or 8 millions altogether; in any case, I am quite confident, they have never been anywhere near 25 millions. Moreover, if you are going to point your finger to the profits from railways, I would ask you to remember that railways have cost us, ever since they were first built, I think 53 or 54 crores, not less, during the time that railways were a losing concern, and not a

paying concern. Therefore, if you are making any small profits now, those profits, I venture to say, should go to repay the country for the losses that the country had to bear on account of railways out of current revenues for 40 to 50 years.

The last thing is about the duty of local bodies. I say, Sir, that if this is the view that the Government are going to take, that sanitation is the business of local bodies and that they must help themselves as well as they can, all I can say is that this is not a view which should commend itself to this Council. The Government has introduced higher standards of administration in this country and it behoves Government to see that in sanitation also things which can be done only with substantial assistance from Government are done rather than left undone. There are two policies, so to say, before us. On the one side you have more and more expenditure on the Army, a top-heavy civil administration, and greater and greater expenditure on railways. That is one direction. The other direction is more education, more sanitation, money for the relief of agricultural indebtedness, and similar objects concerning the moral and material well-being of the masses. Hitherto the first policy has been on the whole predominant. When I say that, I do not mean that the second has been neglected altogether. I do not mean that at all. But there is no doubt that far more money has been and is being spent on the first, whereas the second has been and is being comparatively starved; and I urge that the relative claims of the two on the resources of the country should now be reversed.

REDUCTION OR AVOIDANCE OF DEBT.

[The second stage of the discussion on the Financial Statement for 1910-11 was taken on 9th March 1910, the Hon'ble Sir Harvey Adamson, Vice-President, being in the chair. At this meeting Mr. Gokhale moved a resolution recommending the abolition of the annual allotment for Reduction or Avoidance of Debt under the head of Famine Relief and Insurance and in support of his motion made the following speech :—]

The Hon'ble Mr. Gokhale said :— 'Sir, my resolution reads as follows :—

That this Council recommends that the annual allotment of half a million sterling under Famine Relief and Insurance to Reduction or Avoidance of Debt should now be abolished.

I would like at the outset to make a slight alteration in the wording of the resolution. I would say 'that this Council recommends that the annual allotment (which for next year, is half a million sterling) under Famine Relief and Insurance to Reduction or Avoidance of Debt, should now be abolished.'

I make this alteration because though in ordinary times when there is no expenditure on Famine Relief one might expect this allotment to be half a million—in practice it has not always been half a million : therefore in order to be strictly accurate I should like to alter the wording as proposed.

The Council no doubt is aware that there is a head of expenditure in our accounts known as Famine Relief and Insurance. The total charge under this head is one million sterling and is divided into three sub-heads. One is actual famine relief ; the second is expenditure out of revenue on protective works, being both railway and irrigation, but now for all practical purposes irrigation ; and third, the

sum allotted for the reduction or avoidance of debt. I understand there is a limit as regards protective works, not more than half being devoted to protective works. Therefore when there is no actual expenditure on famine relief, the other half goes, or can go, to reduction or avoidance of debt.

Now, Sir, I want to invite the attention of Council briefly to the history of this Famine Insurance Grant, and I shall state it in as few words as possible.

This grant, or fund as it was called at the beginning, was created thirty years ago on account of very serious expenditure which Government at that time had to incur in connection with the relief of two famines. The Government of Lord Lytton in 1878-79 found that the Government of India had to spend about 17 crores of rupees in connection with the famine in Bengal and the North-Western Provinces in 1874 and the bigger famine which ravaged the Western and Southern Presidencies later on from 1876 to the beginning of 1878. The total expenditure in connection with famine relief and loss of revenue in the years was about sixteen or seventeen crores, and the Government decided that they should levy extra taxation in order to provide in the course of ten years a sum of 15 crores of rupees. It was calculated that ordinarily two famines might be expected in ten years, and a sum of one million sterling under the three heads which I have just mentioned, was provided and earmarked for famine purposes. Immediately afterwards a question arose as to how this money was to be disposed of. In 1879 a Parliamentary Committee was appointed, presided over by Lord George Hamilton, to enquire into the question of public works, and this Committee laid down how the Famine Insurance Fund should then be spent. I think

perhaps the best way in which I could state to the Council the objects of that Famine Insurance Grant would be to quote an extract from the report of that Parliamentary Committee. • This was what Lord George Hamilton and his colleagues said : ‘ During the financial years 1877-78-79 additional taxation was imposed in India in order to establish an annual Famine Insurance Fund of a crore and a half (in the currency of that time a million and a half). That amount was fixed with reference to famine expenditure which during the last six years amounted to the enormous sum, exclusive of the loss of revenue of 14 crores of rupees and of which a large proportion had been met by borrowing. The object of this Famine Insurance Fund was, by increasing the revenue, to avoid constant additions to the debt of India which the prevention of periodical famines would entail by either applying that increase of income to works likely to avert famine and thus obviate famine expenditure, or by reducing annually the debt contracted for famine, so that if famine expenditure should again become inevitable the reduction of debt made in years of prosperity would compensate for the liabilities incurred during scarcity. This increase of taxation was sanctioned by the Secretary of State in Council on this understanding.’

The understanding, therefore, was that the grant was to be devoted, first, to preventing additions to the debt of the country, and secondly, for promoting protective works which would mitigate the rigours of famine. Now the history of this fund or grant is a somewhat chequered one. Immediately after it was instituted, owing to financial difficulties connected with the Afghan War, the fund had to be diverted to other purposes. During the five years of Lord Ripon's Viceroyalty the fund was spent on the purposes

for which it was instituted, but again in Lord Dufferin's time there was a diversion.

There was then very considerable criticism in the House of Commons, and ultimately the Government restored this Famine Insurance Fund, but during Sir James Westland's time it was never fully a crore and a half for several years but only one crore, and he justified that reduction by saying that there was an improvement in the condition of the country and in the capacity of the people to resist famine.

However, in Lord Curzon's time the full crore and a half was restored.

This period of thirty years during which the famine grant has been devoted to the purposes mentioned may roughly be divided into two equal parts from 1881 to 1895-1896 and from 1895 up to the present time. The first period was practically free from famine. There were no doubt scarcities here and there and even small famines, but there was nothing serious, and I therefore omit the whole of that period as not being altogether too favourable for the purposes of my argument.

Taking the second period—1895 up to the present time—there were two of the greatest famines of the century which ravaged the greater part of the country, besides two or three smaller famines. Therefore it could not be said that this period was free from famine conditions, and yet what do we find? The unproductive debt of the country, which alone has to be taken into consideration in connection with this matter, was 70 millions at the beginning of this period. At the close of this period that debt was only 40 millions. Therefore this unproductive debt or ordinary debt, instead of being added to, was actually reduced from 70 millions. Out of this the portion

of the famine Relief Grant devoted to reduction comes to $4\frac{1}{2}$ millions or $4\frac{1}{2}$ millions to 40 millions. The rest was due to the surpluses having been devoted to railway construction and through that to reduction of debt. My point therefore now is, if in the absence of this grant the unproductive debt had had to be added to, then this expenditure out of revenue in reducing the debt would have been justified and this sum would have been properly devoted according to the original intention to preventing additions to the debt of the country. But as the debt was largely reduced independently of the grant, I think it was unnecessary that this grant of $4\frac{1}{2}$ millions should have been devoted further to the reduction of the debt. And I say this sum might have been spent usefully in other directions.

I want the Council to realise this; that there is a difference between what Lord George Hamilton's Committee laid down as the object of this grant in relation to the debt, and the present practice of Government. It is true that Government devote this to the reduction of debt, but they devote it to the reduction of debt by increasing the amount available for productive purposes and principally railway construction. Therefore this sum taken out of revenue, which is intended to mitigate the rigours of famine and which is also intended to enable the Government to borrow in times of famine, is being ordinarily devoted to increase the resources of Government for capital outlay on railway construction. Now, Sir, I have been contending again and again in the Council that as our railways earn a very fair rate of interest and as the credit of Government is excellent, the Government should confine the outlay on railway construction only to such sums as can be raised in the

market out of borrowings; and any sums available out of current revenues should be used for other more pressing objects. I would therefore suggest that this grant of half a million or under should no more be devoted to the reduction of debt, because the debt is already very small and I do not think its reduction is of paramount importance. On the other hand, if the same sum was made available for agricultural education, for the organization of rural credit and other measures connected with the material improvement of the peasantry, that would benefit the peasantry far more than the present practice of Government and would enable the peasantry to resist the onslaught of famine better than the course which the Government adopts. I am quite sure the Finance Member will tell us that I am attacking the principle of the Sinking Fund. No doubt I am. I go further and say that in the present state you do not want a Sinking Fund. India must deal with her own problems in her own way, and in India, as I said the other day, the unproductive debt is a mere bagatelle—only 40 millions. Where the unproductive debt is huge, as in England, a Sinking Fund is an absolute necessity; but where it is small and where we want money urgently for other purposes, I think the Sinking Fund is an absurdity. I therefore move that the grant of half a million for next year under Famine Relief and Insurance to reduction or avoidance of debt should now be abolished.

RAILWAY FINANCE.

[During the 2nd stage of the discussion of the Financial Statement for 1910-11 under Railways, Mr. Gokhale moved for a reduction of their working expenses by 1 crore of rupees and made the following speech on the occasion :—]

The Hon'ble Mr. Gokhale :— Sir, I beg to move that 'this Council recommends that the provision for the working expenses of State Railways for the next year should be reduced by one crore of rupees.' Sir, I wish it had been possible for me to act on the suggestion which was just now thrown out by the Hon'ble Sir T. R. Wynne, namely, that I should withdraw this resolution as I have done in the case of the two preceding ones. Unfortunately, I am unable to do so. Indeed, so far from withdrawing it, I fear I shall have to ask the Council to divide on it.

In moving this resolution, Sir, I beg leave to express, if I may presume to do so, my sympathy with the Railway Board for the fact that they seem to stand between two fires. Judging from the speech of the Hon'ble Member, I find that the railway administrations as represented by their Boards in London are complaining about the control exercised by the Railway Board. We, on the other hand, in this Council, some of us at any rate, are inclined to complain of the manner in which the working expenses have been allowed to go up. Of course I am a mere outsider and a layman. I cannot go into the technical portions of this railway administration; but I can look at railway finance in a general way; and looking at railway finance in a general way, I have come to certain conclusions which I would like to lay before this Council.

There is no doubt that this railway finance has been responsible during the last three or four years for the deterioration in the country's financial position. We find that in the year 1906-1907 the net profit from railways which the country derived was about £2½ millions; in 1907-1908 it was about £1½ millions. In 1908-1909, instead of a net profit, there was actually a deficit of £1 millions; during the current year there was a gain of about £860,000; and during the next year probably under half a million is expected to be realized as profit. The position, therefore, in five years has come down from £2½ millions to about half a million profits, and that naturally must set us thinking. I have looked into the figures somewhat closely on that account, and I find that there are certain things which require explanation. The first thing that strikes one looking into these figures is the extraordinary growth of working expenses during the last five years, i.e., since the Railway Board came into existence. The Railway Board came into existence in 1905 and the working expenses have been going up steadily from that year. I have consulted the figures for 15 years from 1890 to 1905, i.e., up to the date the Railway Board came into existence. The working expenses during that period were between 46 and 48 per cent. of the gross receipts uniformly. There was only one year in which the proportion was 49. Otherwise, throughout, the proportion was 46, 46½, 47 and up to 48. From the time that the Railway Board however came into existence—from its very first year—this proportion has been going up. After the proportion had been stationary for 15 years we find in 1906 the proportion rose to 50; from 47 or 47½ it went up to 50; in 1907-1908 it went up to 57·5; in 1908-1909 it went up to 62 per cent.—that was a year of deficit.

In 1910, the current year, it is 55·3, and for the next year it is expected to be 56·6. Now, I cannot understand why if for 15 years they were satisfied with 47 or 48 per cent. of gross receipts for working expenses, suddenly there should have been this increase, and they should now ask for 7 or 8 to 12 per cent. more according as you take the year. This certainly requires an explanation. Of course I am quite sure that the money is being well spent, that the money is being spent on improvements, and the Hon'ble Member will no doubt justify this in the name of efficiency—we used to hear of it from various quarters during the last five or six years. There has been so much more spent on the Army, also on Civil Departments, all in the name of efficiency. I quite admit that efficiency is desirable, but there must be a limit, even to efficiency. As Lord Salisbury once said: 'All efficiency must be relative,' that is, it must take into account not merely the requirements but also the resources of the people for whom you are going to secure that efficiency, and considering that India is a poor country, I think that the Railway Board might be satisfied with a lower standard of efficiency than what it is evidently aiming at. I think there should be a definite proportion beyond which they should not go in the matter of working expenses. If the railway administration of this country were satisfied with 47 to 48 per cent. for 15 years, I do not see why the Railway Board should not impose a similar limit upon itself. It may go a little higher if necessary, but I think beyond 50 per cent. the working expenses should not be allowed to go in any particular year. If anything like that were to be done from next year, as you estimate your revenue at 44 crores, your expenditure would be 22 crores or somewhere there, and you would have about

3 crores for the Finance Minister ; and I am quite sure he would not have put upon us the extra taxation that he did the other day. Then there is another point to which I want to draw the attention of this Council, and that is this : that for the last four years the Board or those who are responsible—because I am afraid it is the railway administrations that are carrying out unauthorised works, who are really responsible—in any case we have to hold the Board responsible in this Council and the Board will hold the administrations responsible in its turn—but for the last four years we find that the budget is being systematically exceeded in the matter of working expenses. In the first year it was only a slight excess. In 1906-1907 it was only an excess of 10 lakhs ; in 1907-1908 the excess was 2½ crores ; in 1908-1909 it was 2½ crores over the budget allotment for working expenses. This year, owing to the great row that was made, there has been of course a great decrease in this excess, but still there is an excess of 11 lakhs. Now I think that this is a thing to which exception must be taken. I think it is most objectionable that the budget allotment should be exceeded in this manner. I think in this matter I could not do better than quote the words which were employed last year by His Honour Sir Edward Baker in speaking of this question, namely, that the Railway Board had been exceeding its budget in the matter of working expenses. This is what His Honour said. Possibly he used sharp language because his own budget had been upset. I will read the language that he used :—

I am constrained to say that the explanation presented in the memorandum of the Railway Board seems singularly inadequate. Something is doubtless due to the cost of coal, though we are not told what it amounts to. Grain compensation is said to amount to 23½ lakhs or £157,000, i.e., less than one-tenth of the

total excess. Floods on the North-Western Railway are called into account for some unspecified part of the remainder; but I seem to remember hearing of similar floods for several years before on that line. A great deal is attributed to repairs and renewals and we are told that commitments have been entered into which could not be stopped. I will not stop to consider the question whether any railway administration is at liberty to enter into commitments of this kind which cannot be modified or contracted if the ensuing year is one of deficit. But I do affirm without hesitation that any administration which contemplates doing so is bound, by all the canons of finance and commonsense, to provide for the corresponding expenditure in its estimate, and in the present instance we have to face the plain fact that the working expenses, in spite of a heavy reduction in the traffic carried, have exceeded the estimates by not much less than a million and a half.

This is strong language, but it is not mine; it was used by one who had been Finance Minister for four years, and I am quite content to leave the question as it is there between Sir Edward Baker and the Hon'ble Sir T. R. Wynne.

I think that, just as there must be a certain definite proportion beyond which working expenses should not be allowed to go, so also it must be definitely and distinctly laid down that under no circumstances whatever should the budget allotment for working expenses be exceeded. I think that the Finance Department has a right to expect that, and that the Council, as interested in economy, has also a right to expect it.

Having made these two complaints, I would now like to make a suggestion, and that is that I think it would be very desirable if State railways were managed by the State instead of their being managed by Companies. I know this is a question about which there is a difference of opinion, but apart from other things—whether the thing would be immediately more costly or less costly, on that I have heard two opinions—there is one distinct advantage which I claim for this, and that is that in the end State management will be more economical. You compare the ordinary

public works list—the personnel of the Public Works officers with the personnel of Railway officers. Throughout you will find a practical exclusion of Indians from the higher ranks of the railway service. Whereas in the Public Works Department a considerable proportion consists of Indians, in the Railway service it is only here and there that you find an Indian; for the most part Indians are carefully shut out. Now, if all these railways were managed by the Government, the Government would, in the first place, be more sympathetic with our aspirations than Boards sitting in London, and secondly, the Government would be more responsive to any pressure of opinion put upon it. The Boards being in London, we may say what we like, they go on doing what they please, and the agents here must obey their directors there. Therefore, as long as the management is in the hands of Companies, the exclusion of Indians from the higher ranks of the railway service must continue, whereas if the management were to pass over to the Government, there would be a more steady employment of Indians in the higher ranks of the service, and this in due course is bound to lead to greater economy in the management of railways. I move the resolution which stands in my name.

[*The Hon'ble Sir T. Wynne, Chairman of the Railway Board, having opposed Mr. Gokhale's motion, Mr. Gokhale made the following reply:—*]

The Hon'ble Mr. Gokhale said:—I would like, Sir, to make a brief reply to the observations that have fallen from the Hon'ble Sir T. Wynne. He pointed out that in 1909 the net earning under Revenue, as it is called here, was 12·43 millions, which was virtually the same figure as what you have in the accounts of 1906-1907, namely, 12·52. Now that is quite true. But the Hon'ble

Member should not have left out of consideration the fact that between those years a large amount had come to be spent as capital outlay on railways, and there must be interest on that capital expenditure. Therefore, the very least that the year 1909 should have shown to be regarded as equal to 1906 was to show the same net amount of revenue as 1906, plus the interest on the capital expenditure during the three years. Well, I find, looking at the amount of interest on debt, that in 1906 the interest on debt was 5 millions, whereas in 1909 the interest is 5·67; that is, two-thirds of a million roughly represents the interest on the additional amount that had come to be expended as railway capital. Now, if only these railways had earned this two-thirds of a million more, under the net earnings, instead of having only £760,000 as our profit last year, we should have had nearly a million and a half. Therefore, I do not think that point really helps the Railway Board very much. The Hon'ble Member also said, if you want improvement, you must pay for it. We no doubt want improvement, but not at this rapid pace. We shall be quite content with a slower pace of improvement provided it does not cost us so much. Of course, if double the revenue that the Hon'ble Member gets at present were placed at his disposal, I have no doubt he would employ it easily, and we should have a most perfect system of railways. The question is whether the country can afford it. The Hon'ble Member also said that, if this resolution were pressed, it would be necessary to reduce the operative part of the expenses, and that might mean the dismissal of a number of my countrymen. Well, I am not really frightened by that. I find on looking up the lists here, that most of the men in the higher branches at any rate are the Hon'ble Member's countrymen and not mine, and if he were only

to dismiss my countrymen, well, he would not get much out of that. If he wants to make a substantial reduction, he will have to get rid of some of his own countrymen.

I will say only one thing more, and that is with regard to what the Hon'ble Malik Umar Hyat Khan said. The Hon'ble Member's faith in everything that the Government does is most touching: he stands by the Government even where the Hon'ble Sir Edward Baker criticises it. Nobody ever said that the grain in the Punjab should not be carried; the question is whether the expenditure which the Railway Board is incurring, whether all this increased expenditure, was required. I have already pointed out that, since the Railway Board came into existence the working expenses have steadily risen, and no reply has been given to that. Of course improvements, I understand, are required, but why should these improvements have suddenly become necessary on this scale during the last five years, when we had gone on without them for the last half century? I am sorry I must say that I am not convinced by what the Hon'ble Member has said, and I must therefore ask that this resolution be put to the vote.

THE COUNCIL REGULATIONS.

[On 24th January 1911, the Hon'ble Mr. Malaviya moved a Resolution in the Imperial Legislative Council recommending the appointment of a Committee to consider and report what changes should be made in the Regulations so as to correct inequalities in the treatment of the various communities and to remove some of the restrictions placed in the choice of candidates for election and also to ensure the provision of a more effective non-official majority in the Provincial Councils. Mr. Gokhale, in appealing to the mover not to press his Resolution, spoke as follows --]

My Lord, I intervene in this debate with some reluctance because the discussion has taken a somewhat unfortunate turn and the subject is of such a character that no matter how carefully or guardedly one may express oneself one is apt to be misunderstood by somebody or other. At the same time, now that this discussion has been raised, I think it my duty to those whose views I share that I should state what my position in this matter is. My Lord, I am by birth a Hindu, but for many years it has been the earnest aspiration of my life to work for the advancement of this country only as an Indian: and it was in that spirit, two years ago, when this discussion had taken a somewhat acute form and the Muhammadan community were agitating for special electorates in connection with the new Reforms Scheme, that I supported their claim in this Council and thereby, if I may mention it, incurred to some extent the displeasure of my Hindu brethren throughout the country. The position at that time was this. Under the Indian Councils Act of 1892 there were only general electorates, and the actual working

of that Act resulted in a great preponderance of Hindu members in Councils throughout the country. There was no question about this fact; and whatever might have been the explanation of this, this was a sore point with the Muhammadan community, and it was no use saying to them that in the interests of that nationality for which they were all striving they should accept such a position. We had to recognise the actual situation and therefore it was necessary to find a way out of the difficulty. What the Government used to do in those days was that, after the general election had taken place, such inequality as was noticed was redressed by means of Government nomination. Therefore, every time in all the provinces the Government used to appoint a certain number of Muhammadan members of the Council by nomination. Now it was justly objected to this arrangement by the Muhammadan community that it was unfair to them that they should come in only by nomination, and they urged that what they wanted was that instead of coming in by nomination they should come in by election, such election being confined to their community.

My Lord, this was on the whole a reasonable position, and I thought it my duty at that time to support the scheme in this Council. I think, at our present stage, special electorates cannot be avoided, and what I have said about the Muhammadans also applies to some extent to the landlord community. In no country throughout the world is it attempted to lay down that elections should be confined to those who represent education. Take England; for a long time property was the basis of all representation. Gradually the basis has been extended and you now have the democracy in its present form, and now we find the educational centres, forming, so to say, special constituencies.

All property, in its largest sense, must certainly have a fair share of representation in this country. I do not think, therefore, that any useful purpose is served by objecting to the special representation that has been given either to the Muhammadans or to the landlord classes. Where, however, a legitimate question may be raised, is in regard to the proportion of representation that has been given to these classes, and I think on this point there is no doubt that the bulk of the community have serious reason for complaint. My Lord, the question having been raised, I think it my duty to state that under the existing arrangements the Muhammadan community is over-represented in all the Councils. I think many of our Muhammadan friends admit it themselves when the question is put before them in that way. But here it is well to remember that the fault in this matter is not that of the Government of India. I think the original scheme of the Government of India was an eminently fair scheme. Under that scheme Government proposed to give to the Muhammadans such representation partly by mixed electorates and partly by special electorates that the total should be in accordance with their position in the country.

A great deal has been from time to time said about an expression which the late Viceroy used in his reply to the famous address from a Muhammadan deputation, four years ago, namely, that the political importance of the Muhammadan community must be adequately recognized. I think that all along that expression, so far at any rate as it was used by Lord Minto, has been to a great extent misunderstood. I do not think that the late Viceroy intended to convey that the Muhammadans were politically more important than the Hindus; what he wanted to convey was that the Muhammadans occupied a position of

importance in the country. They were so numerous, they had such traditions, they represented such past culture, they had a stake in the country that it was not desirable to leave them without adequate representation. I do not think that, looked at in that way, any objection need be raised to the statement that the Muhammadan community was a politically important community in the country. They are a minority, but they are the most important minority in the country, and therefore it was necessary that representation should be conceded to them in accordance with their importance.

In recognizing this importance, however, there is no doubt that the Government have gone too far and that over-representation has been granted to the community; but the responsibility for that as I was pointing out is with the Secretary of State and not with the Government of India. The original scheme of the Government of India, as I have already said, was eminently fair. The Secretary of State, no doubt from the best of motives, sought to substitute in its place another scheme theoretically perfect but practically, I believe, rather difficult of application in this country; and when that scheme came to be hotly criticised in England, owing to the exigencies of debate in the House of Lords, he not merely threw it overboard, but he also threw over the Government of India's proposals and himself went much further than the Government of India had even intended. This is the whole position, and the question now is what can be done. You cannot take away from the Muhammadan community to-day what you gave them only yesterday, and I would say to my Hindu brethren, make the best of the situation in the larger interests of the country.

My Lord, so far then as the proportion of

representation is concerned, I think that there is real ground for complaint, but the matter is not easy to deal with, at any rate, for some time. As regards the other points in this resolution, I think my Hon'ble friend Pandit Madan Mohan Malaviya stands on solid ground. There is no doubt that many of these differences in franchise and qualifications for candidates were perfectly unnecessary, and I am quite sure that when the Government come to revise these regulations they will have no difficulty in removing them if they want to do so. The same thing applies to an elected majority in the Provincial Councils. I think an elected majority in the Provincial Councils would be quite safe. If it is found safe in Bengal, where the relations between the Government and the people have not been quite cordial, there is no reason why it should not do equally well in other provinces. Such an elected majority will consist of composite elements. There will be the Chambers of Commerce men representing the European community, there will be the landholders, there will be the Muhammadan members, and there will be representatives of the general population, and therefore I do not think that there is any danger even from the official point of view in an elected majority in the Provincial Councils. Moreover, if the Government wanted to pass a law for any Province, and the Provincial Council made any difficulty about it, there is a reserve of power in this Council where there is a standing official majority and where Government will always be able to pass any measure that they please. On these points, therefore, I think that there is a good deal to be said, and when the Government come to re-consider these regulations I hope that something will be done to meet them. My Lord, having said this, I would now make an appeal to my friend the Hon'ble

Pandit Madan Mohan Malaviya : I earnestly hope that he will not press his resolution to a division. My Lord, after all, we have got to take a large view of this matter. What does it really matter how many Hindus and how many Muhammadans sit in this Council ? The more important question is how many of us work and in what spirit we work here ? The numbers would matter on some future occasion when probably questions will have to be carried here by the weight of numbers ; to-day we certainly do not propose to carry our points by the weight of numbers. As a matter of fact, whether we are many or few, it is only to the moral influence that we exercise on the Government that we have to look at the present stage. Why, my Lord, even if I could defeat the Government to-day I would not do it. I would not do it for this reason ; the prestige of the Government is an important asset at the present stage of the country and I would not lightly disturb it. Therefore the question about the numerical representation of Hindus and Muhammadans may be left over for some time. Other points are upon a footing on which I am quite sure that most Muhammadan members here will be willing to join hands with my Hon'ble friend.

My Lord, before concluding I must express my cordial concurrence with what has been said by my Hon'ble friend Mr. Madge. It is not my good fortune to be often in agreement with my friend, but I most heartily and cordially support what he has said about leaving these questions alone for some time. If a question like this may be raised here, then cow-killing, or the question about Hindu and Muhammadan riots and such others may be raised by somebody else in other places ; and then that harmonious co-operation between the two communities which we hope to promote by this Council, and which we

hope to see gradually extending all over the country, would most unfortunately be disturbed and the interests which my Hon'ble friend Pandit Madan Mohan Malaviya himself has so well at heart, would be seriously jeopardised. With these words I again earnestly appeal to my friend not to press this resolution.



INCREASE IN PUBLIC EXPENDITURE.

[The Imperial Legislative Council met on the 28th of January 1911. His Excellency Lord Hardinge presided. Mr. Gokhale moved a resolution calling for an inquiry into the causes which had led to the great increase in the public expenditure, that had taken place during recent years. In moving this resolution, Mr. Gokhale made the following speech :—]

The Hon'ble Mr. Gokhale :—My Lord, I rise to move that this Council recommends to the Governor-General-in-Council that the Government should order a public inquiry by a mixed body of officials and non-officials into the causes which have led to the great increase in public expenditure, both Civil and Military, that has taken place during recent years, so that means may be devised for the greater enforcement of economy, where necessary and practicable.

My Lord, the Budget Debate in this Council of last year, and more especially the language employed on the occasion by my Hon'ble friend the Finance Minister, had led me to hope that the Government would of their own accord direct such an inquiry, at any rate, into the civil expenditure of the country. That hope, however, has not been justified, and I therefore deem it my duty to submit this motion to the consideration of this Council. My Lord, the last twelve years have been in some respects a most extraordinary period in Indian finance. A variety of circumstances, to which I will presently refer, combined to place at the disposal of the Government of India, year after year, phenomenally large revenues—phenomenally large, I mean, judged by the standard

of this country, and while advantage was taken of the prosperous condition of the Exchequer to grant a certain amount of relief to the taxpayers, the necessary consequences of an overflowing treasury in a country like India inevitably followed, and the level of expenditure came to be pushed up in every direction in a manner perfectly unprecedented in the history of this country. How large and how unprecedented this growth of expenditure has been may be seen from the fact that two years ago, of a sudden and without any warning, we came to a year of a heavy deficit—the heaviest deficit that this country has known since the Mutiny. And last year, the Hon'ble Member, as if to emphasize the gravity of the situation, felt himself driven to impose additional taxation to the tune of about a million and a quarter in a perfectly normal year, free from famine, war, or any of those other disturbing circumstances which in our mind have been associated with increased taxation in the past. A development of the financial situation so extraordinary and so disquieting demands, in my humble opinion, a close scrutiny, and it is because I want the Government to undertake such an examination that I am raising this discussion in this Council to-day.

My Lord, for a proper appreciation of how enormous this growth of expenditure has been during recent years, it would be necessary to take a brief survey of Indian finance over a somewhat extended period; and I propose, if the Council will bear with me, to attempt such a survey as briefly as I can for a period of about 35 years beginning with the year 1875. I take 1875 as the starting point because, in many respects, that year was a typical year—being also a normal year—typical of the old *regime* associated with the names of Lord Lawrence, Lord Mayo and

Lord Northbrook. I propose to begin with that year and survey the finance of the 33 years that follow, as briefly as I can. Before doing so, however, I think I must place before this Council one or two general views about the financial position of the country. Those who merely look at our Financial Statements are likely to carry away a somewhat misleading idea as to what our real revenue or our real expenditure is. The Statements give certain figures known as gross and certain other figures known as nett. But neither the gross figures nor the nett figures give in my opinion a correct idea of what I would call the real revenue and expenditure. To get at the figure of real revenue, it is necessary, in the first place, to exclude from the revenue, under the Principal Heads, Refunds and Drawbacks and Assignments and Compensations and also the cost of the production of Opium. Then we must take the Commercial Services nett; and to this we must add the receipts under the Civil and Military Departments. I think such a process alone would give us a correct idea of our real revenue. Now applying this to the Budget figures of last year, and those are the latest that are available for us, what do we find? We find that our real revenue, as distinct from either gross or nett revenue as given in the Financial Statement, is about 53 millions, or 80 crores of rupees—being made up of about 49 millions under the Principal Heads, about 1 million nett from Railways and Irrigation, about 2 millions Civil Departmental receipts, and a little over 4 million Military Departmental receipts. Out of this revenue, about a million is devoted to meet the nett charge of interest on unproductive debt, and another million goes to meet the standing charge for Famine Relief and Insurance. If we leave these 2 millions out, 51

millions remain to be devoted to the Civil and Military administration of the country, of which a little over 30 millions is devoted to Civil expenditure and a little under 21 millions is spent on the Army. The Civil charges are made up to-day of about 6 millions for collection of Revenue, about 15 millions for the salaries and expenses of Civil Departments, about 5 millions for miscellaneous Civil Charges, and about $4\frac{1}{2}$ millions for Civil Works. This then is the first fact about our financial position which I would like the Council to note. The second fact, which I would like to mention, is that this real revenue, excluding Opium receipts, which are uncertain and which moreover are threatened with extinction, is capable of growing at the rate of about $1\frac{1}{2}$ per cent. per annum. The calculation, which shows this, is an elaborate one and I do not want to weary the Council with its details. I have tried to take as much care as I possibly could to make it accurate and I have discussed the method adopted with those who are qualified to express an opinion on these matters. I think I may say that every care has been taken to eliminate figures which ought to be eliminated from such a calculation, and I feel that the result may be accepted as a fairly correct one. On the basis of this calculation, then, excluding Opium receipts, our revenue may be taken to be capable of growing, taking good and bad years alike, at an average rate of about $1\frac{1}{2}$ per cent. a year. It therefore follows that any increase of expenditure for normal purposes, i.e., exclusive of any special expenditure that may have to be incurred for special objects, must keep well within this average rate of $1\frac{1}{2}$ per cent. per year. I trust the Council will keep these two facts in mind, and now follow me in reviewing the growth of expenditure during the 35 years, or rather 33 years,

following 1875. I think it best to take 1908-09 as the last year of the period, first, because up to that year the growth of expenditure went on practically unchecked, and secondly, because complete figures are available to the general public only up to that year. This period of 33 years divides itself into four smaller periods of more or less equal duration—the first of 9 years from 1875 to 1884, the second of 10 years from 1884 to 1894, the third of 7 years from 1894 to 1901, and the fourth of 7 years from 1901-02 to 1908-09. Now, my Lord, for purposes of a fair comparison, it is necessary to reduce the figures for the years selected to what may be called a common denominator, all extraordinary items being eliminated from either side. Thus, if the rates of exchange for any two years which are compared, are different, due allowance must be made for that. If there has been either enhancement or remission of taxation in the interval, if new territory has been included or old territory excluded, if certain old heads of accounts have been left out or reclassified, allowance must be made for all these. I assure the Council that I have made such allowance to the best of my ability in the comparison which I am about to institute. Thus, in the first period, there was first increased taxation during Lord Lytton's time and then there was a remission of taxation during Lord Ripon's time, and I have made due allowance for both these circumstances. Then the rate of Exchange even in those days was not steady. It was about 1s. 9·6d. to the rupee in 1875 and about 1s. 7·3d. in 1884, and allowance has been made for that. Well, having made these allowances, what do you find? We find, putting aside all extraordinary expenditure due to famines and war, that during this period of 9 years, our total Civil and Military expenditure rose by about 6 per cent., which

means an annual increase of about two-thirds per cent. per year, against an annual growth of revenue of about $1\frac{1}{3}$ per cent. The rate of normal increase of revenue was thus considerably in excess of the rate of growth of expenditure, and it was this fact which enabled Lord Ripon's Administration to remit taxation. The total increase under Civil and Military during this period was about two-and-a-half crores a year. That is the first period.

¶The second period of 10 years is the most difficult period to deal with, because there is hardly anything in common between the first year and the last year. It was a period of great military activity in view of certain eventualities that were expected on the North-West Frontier, and it synchronized with a steady fall in Exchange and a steady diminution of Opium revenue. The result was that there were continuous additions to the taxation of the country. In considering the expenditure of this period, we have to make allowance for four disturbing factors. In the first place, an addition was made in 1885 of 30,000 troops—10,000 European and 20,000 Indians—to the Army. Secondly, in 1886, Upper Burma was annexed. Then Exchange fell continuously between 1885 and 1894 from *ls. 7.3d.* to *ls. 1.1d.* to the rupee, the latter being the lowest point Exchange ever reached. And lastly, Exchange Compensation Allowance was granted to all European officials towards the end of this period, costing over a crore-and-a-quarter of rupees or nearly a million sterling. All this necessitated continuous additions to the taxation of the country—during 8 out of the 10 years, something or other being put on. These four factors make it extremely difficult to compare the starting year with the closing year of this period, but a certain general view, roughly correct, may

be presented. It will be found that during this period the Civil and Military expenditure of this country rose by about 14 crores. Out of this 14 crores, however, about $7\frac{3}{4}$ crores was specially provided for by extra taxation, so that the normal growth of charges during this period was about $6\frac{1}{2}$ crores. On the other hand, the revenue during this time increased by about 12 crores, of which about 6 crores was from new taxes; and economies were effected to the extent of about 2 crores by suspending the Famine Insurance Grant and in other ways, and thus the two ends were made to meet. The result, during the second period, putting aside all special expenditure for which special taxation was imposed upon the country, was that we had a normal growth of administrative charges for the Army and the Civil administration of about $6\frac{1}{2}$ crores. This works out at a total increase of about $14\frac{1}{2}$ per cent. in 10 years, or an average increase of $1\frac{1}{2}$ per cent. per annum, against a normal growth of revenue from the old resources of a little under $1\frac{1}{2}$ per cent. a year.

I now come to the third period. In this period the disturbing elements were not so numerous, the only factor of that character being Exchange. At the beginning of the period, Exchange was as low as 1s. 1½d., but rose steadily to 1s. 4d. in 1899, at which figure it stood practically steady for the three closing years of the period. And but for the fact that three of the biggest famines of the last century occurred during this period, as also for the fact that there was war on the frontier at the commencement, the finances of this period would have given a much more satisfactory account than they did. As things were, however, the Railway Revenue had already begun to expand. Opium too had begun to recover, and that extraordinary expansion of general revenues, which was

witnessed from 1898 to 1908, had also commenced. The last three years of this period thus belong to a period of extraordinary expansion of revenue on all sides, and in addition to this, under Exchange alone, the Government saved in 1899 nearly 5 crores of rupees on the remittances to England, judged by the standard of 1894. These expanding resources naturally led to increased expenditure, and what stimulated the growth of charges even more than that was that we had during this period of three years of Lord Curzon's administration—the first three years of his administration. As a result of all this, expenditure grew at a greater pace towards the close of this period than during the previous period; but even so, we find that it was kept well under control. During these seven years, there was an increase of about 6 crores in the expenditure of the country, Civil and Military, which works out at about 11 per cent. or $1\frac{1}{2}$ per cent. per annum—the Civil expenditure rising by about 14 per cent. in the 7 years or at the rate of 2 per cent. a year and the Army estimates rising by about $6\frac{1}{2}$ per cent. or at a little under 1 per cent. per annum. For purposes of this comparison I have reduced the cost of Exchange for the first year to the level of what it would have been, if Exchange had then been 1s. 4d. instead of 1s. 11d. to the rupee.

Let us now turn to the last period. The period, like the third, was one of seven years, but it was a period of what was described in this Council last year as a period of 'Efficiency with a big E.' There was a hot pursuit of efficiency in every direction, leading to increased establishments, creation of new appointments, and increases in the scales of pay and promotion and pensions of the European services of the country. As a result what do we find? An increase of expenditure all round which is perfectly astonishing.

The disturbing factors during this period were :— (1) the Accounts for Berar were included, (2) the bulk of the Local Funds Accounts were excluded, (3) there were remissions of taxation, and (4) the charges for Military-Marine were transferred from Civil works to Military. Making allowances for all these factors, we find that during these seven years, 1901-02 to 1907-08, the total normal growth of charges, Civil and Military, came to no less than 18 crores ! This gives us an increase of about 33 per cent. in seven years, or about 5 per cent. per annum ! On the other hand, the expansion of revenue, which in itself was most exceptional, was, making all necessary allowances, about 2 per cent. per annum. We thus come to this :— We had an increase of about $2\frac{1}{2}$ crores during the first nine years ; we had about 6 crores during the next ten years ; again about 6 crores during the next seven years ; and we had an increase of not less than 18 crores during the last seven years ! Taking the percentages, again, we find that the normal growth of charges per annum in the first period was about two-thirds per cent. ; it ranged between $1\frac{1}{4}$ and $1\frac{1}{2}$ per cent. during the second and third periods ; while it was nearly 5 per cent. during the last period ! Taking Civil and Military separately, it was 40 per cent. for seven years or nearly 6 per cent. per annum for the Civil, and about 20 per cent., or an annual average growth of 3 per cent. for the Military !

My Lord, I think it should only be necessary to mention these figures to establish the importance and necessity of an inquiry into the growth of charges during recent years. It will probably be said that this extraordinary increase is accounted for to a great extent by increased expenditure in several useful directions. I admit at once that the Government have found additiona

money for several desirable objects during this period. But what is the amount so found? The total growth of Civil charges during this period was 13 crores. Out of these 13 crores, a sum of about 3 crores represents roughly the additional expenditure on Police, Education, and grants to Local Bodies. About a million has been added to the expenditure on the Police, with what results it is too early yet to say. I, for one, am not satisfied that the growth of expenditure in this direction has been all good, but I will take it for the moment that the increased expenditure will give us a more improved Police service. Next we find that under Education there has been an increase of about half a million or 75 lakhs, including the sums provided for Agricultural Education and Technical Education. Finally, a little over half a million—nearly two-thirds of a million—represents the grants made to Municipalities and Local Boards for Sanitation, Education and other purposes. Thus, roughly speaking, the additional expenditure on these objects come to a little over 3 crores or 2 millions sterling, leaving still an increase of about 10 crores to be explained.

My Lord, I may mention, if the Council will permit me, that it is not only now that I am complaining of this extraordinary rise in charges. As far back as five years ago, when we were in the midst of this period and when charges were still going up by leaps and bounds in every direction, I ventured to make a complaint on this subject in the Council. If the Council will pardon me for quoting from myself, I would like to read a few lines from what I then said. Speaking in the Budget Debate of 1906-07, I ventured to observe :—

The surpluses of the last few years—rendered possible by the artificial enhancement of the value of the rupee, and realised, first by maintaining taxation at a higher level

than was necessary in view of the appreciated rupee, and, secondly, by a systematic under-estimating of revenue and over-estimating of expenditure—have produced their inevitable effect on the expenditure of the country. With such a plethora of money in the Exchequer of the State, the level of expenditure was bound to be pushed up in all directions. Economy came to be a despised word and increased establishments and revised scales of pay and pension for the European officials became the order of the day. Some remissions of taxation were no doubt tardily granted, but the evil of an uncontrolled growth of expenditure in all directions in the name of increased efficiency was not checked, and the legacy must now remain with us. The saddest part of the whole thing is that in spite of this superabundance of money in the Exchequer and the resultant growth of administrative expenditure, the most pressing needs of the country in regard to the moral and material advancement of the people have continued for the most part unattended to and no advantage of the financial position has been taken to inaugurate comprehensive schemes of State action for improving the condition of the masses. Such State action is, in my humble opinion, the first duty now resting on the Government of India, and it will need all the money—recurring and non-recurring—that the Hon'ble Member can find for it.

That this complaint was admitted in its substance to be just by the Government, or rather by the representative of the Government in the Finance Department, will be seen from certain very striking observations made the following year by His Honour Sir Edward Baker, who was then our Finance Minister. Speaking in the Budget Debate of 1907-08 about a proposal that there should be a further increase in the salaries of certain officers, he protested that he regarded that proposal 'with astonishment, and something like dismay'; and then he proceeded to say:—

I have now been connected with the Finance Department of the Government of India for five years continuously, and during the whole of that period I do not believe that a single day has passed on which I have not been called upon officially to assent to an increase of pay of some appointment or group of appointments, to the reorganisation of some Department, or to an augmentation of their numbers. All experience proves that wherever revision is needed, either of strength or emoluments, the Local Governments and the Heads of Departments are only too ready in bringing it forward. Nor are the members of the various Services at all

backward in urging their own claims. I cannot in the least recognise the necessity for imparting an additional stimulus to this process.

It will thus be seen that there has been a great deal of expenditure incurred during the last few years of a permanent character, which was rendered possible only by the fact that Government had large surpluses at its disposal. In view of this, and in view of the great deterioration that has since taken place in the financial position, I think it is incumbent now on the Government to review the whole situation once again. My Lord, this was the course which Lord Dufferin adopted in his time, though the growth of charges then was nothing like what it has been during the last decade. When Lord Dufferin became Viceroy, he decided to increase the Army in this country and for that purpose wanted more money. And so he appointed a Finance Committee to inquire into the growth of expenditure that had taken place just before his time, so as to find out what saving could be effected. The Resolution, appointing that Committee, is a document worth the perusal of the present Government of India. It speaks of the growth of Civil expenditure that had taken place during the preceding five years as 'very large,' though, as I have already pointed out, the increase was only at an average rate of about $\frac{2}{3}$ per cent. per annum between 1875 and 1884, or taking the charges for Collection of Revenue and the Salaries and Expenses of Civil Departments only, it was about $1\frac{1}{2}$ per cent.—the increase under two heads being higher than under other heads. If that rate of increase was, in Lord Dufferin's opinion, 'too large,' I wonder what expression he would have used to describe the pace at which expenditure has grown during the last decade!

My Lord, I now come to the form of the enquiry

which I propose. I propose, in the first place, that the enquiry should be a public enquiry, and I propose, secondly, that it should be by a mixed body of officials and non-officials. As I have already observed, the language employed by the Hon'ble the Finance Member last year in this connection had led me to hope that Government would of their own accord order such an inquiry into the matter. In Simla last August, however, when I asked the Hon'ble Member a question in Council, he said that what he had meant was a Departmental inquiry only. Now, my Lord, the position is so serious that a mere Departmental inquiry will not do. In support of this view, I may quote my Hon'ble friend himself. He said last year that the question of economy did not rest with his Department alone ; it rested with the Government of India as a whole. He also said that if economy was to be enforced, public opinion, both in this country and in England, would have to enlist itself on the side of economy. Now the only way to enlist public opinion on that side is by holding a public enquiry into the growth of charges, as was done by Lord Dufferin, so that the people might know how the charges have been growing and where we now stand. My Lord, I do not want a mere Departmental inquiry at the headquarters of Government. An inquiry at Simla or Calcutta will only be a statistical inquiry. What we want is a Committee, somewhat on the lines of Lord Dufferin's Committee, with one or two non-officials added, going round the country, taking evidence, finding out from the Heads of Departments what possible establishments could be curtailed, and making recommendations with that care and weight and deliberation, generally associated with public inquiries. I urge such an inquiry, because, governed as India at present is, public inquiries from time to

time into the growth of expenditure are the only possible safeguard for ensuring an economical administration of our finances. Under the East India Company, the situation was in some respects stronger in such matters. The Imperial Government, which now finds it easy to throw on India charges which should not be thrown on India, was in those days resisted by the Company, whenever it sought to impose such charges. On the other hand, Parliament exercised a jealous watchfulness in regard to the affairs of the Company, and every 20 years there used to be a periodical inquiry, with the result that everything was carefully overhauled; and that tended largely to keep things under control. With the transfer of the Government of this country from the Company to the Crown, things have been greatly changed. All power is now lodged in the hands of the Secretary of State, who, as a Member of the Cabinet, has a standing majority behind him in the House of Commons. This means that the control of Parliament over Indian expenditure, though it exists in theory, is in practice purely nominal. In these circumstances, the importance and the value of periodical public inquiries into our financial administration should be obvious to all. There have been three such inquiries since the transfer of the Government from the Company to the Crown. The first was by a Parliamentary Committee in the seventies. The Committee which sat for nearly four years, took most valuable evidence. Unfortunately Parliament broke up in 1874, before the Committee had finished its labours, and the Committee dissolved with the dissolution of Parliament. The second inquiry was by the Committee appointed by Lord Dufferin in 1886-87, and ten years after, in 1897, a third inquiry was ordered, this time by a Royal Commission presided over by Lord Welby. Fourteen years

have elapsed since then, and I think it is due to the country that another Committee or Commission of Inquiry should now be appointed to inquire in a public manner into the growth of charges and find out what economies and reductions are possible and how the level of ordinary expenditure may be kept down. And this inquiry must not be in London or at Simla or Calcutta. It must be by a body which will go round the country and take evidence.

My Lord, I will now state what, in my opinion, are the remedies which the situation requires. My proposals are four in number, and they are these:—In the first place, what Mr. Gladstone used to call the spirit of expenditure, which has been abroad in this country for a great many years, and especially during the seven years between 1901-02 to 1908-09, should now be chained and controlled, and, in its place, the spirit of economy should be installed. If the Government would issue orders to all Departments, as Lord Dufferin did, to enforce rigorous economy in every direction and to keep down the level of expenditure, especially avoidable expenditure, I think a good deal might be done. Lord Dufferin's Government wanted money for military preparations. I earnestly hope that Your Lordship's Government will want to find money for extending education in all directions. In any case, the need for strict economy is there, and I trust that Government will issue instructions to all their Departments to keep down administrative charges as far as possible. That is my first suggestion. In this connection I may add this. Care must be now taken never again to allow the normal rate of growth of expenditure to go beyond the normal rate of growth of revenue. Indeed, it must be kept well within the limits of the latter, if we are not to disregard the ordinary requirements of solvent

finance. If special expenditure is wanted for purposes, as may happen in the case of an invasion or similar trouble, special taxation must be imposed, and we shall be prepared to face the situation and support the Government in doing so. But in ordinary circumstances, the normal rate of growth of expenditure must not exceed and should be well within the normal rate of growth of revenue.

My second suggestion is that the Military expenditure should now be substantially reduced. My Lord, this is a somewhat difficult question, and I trust the Council will bear with me while I place a few facts on this subject before it. Our Military expenditure, which, till 1885, was at a level of about 16 crores a year, now stands at well over 31 crores. The strength of the Army was first determined by a Commission which was appointed after the Mutiny, in 1859, and that strength—roughly sixty thousand Europeans and one hundred and twenty thousand Indians—continued to be the strength of the Army till 1885. On many occasions during that interval, those who were responsible for the Military Administration of the country pressed for an increase in the number of troops, but without success. In 1885, 30,000 troops—ten thousand European and twenty thousand Indian—were added. The number has been slightly increased since, and we have at present about 75,000 European troops and double that number of Indian troops. Now, my Lord, my first contention is that the country cannot afford such a large army, and in view of the great improvement, which has taken place in mid-Asian politics, it should now be substantially reduced. Not only responsible critics of Government but many of those who have taken part in the Administration of India and who are or were in a position to express an authoritative opinion on the subject have publicly stated

that the strength of the Indian Army is in excess of strictly Indian requirements. Thus General Brackenbury, who was a Military Member of this Council at one time, stated in 1897, in his evidence before the Royal Commission on Indian Expenditure, that the strength of the Indian army was in excess of Indian requirements, and that part of it was intended to be a reserve for the whole Empire in the East. I may also point out that the Army Commission of 1879, of which Lord Roberts was a member, held that the then strength of the Indian army—60,000 English troops and 120,000 Indian troops—was sufficient for all requirements—sufficient to resist Russian aggression, not only if Russia acted alone, but even with Afghanistan as her ally. Then, my Lord, when the South African war broke out, a substantial number of troops was sent out of this country for service in South Africa, at a time when the situation should have been regarded as anxious for India. A part was also sent to China about the same time, and yet things went on here as well as ever. All these things show that the strength of the Indian army, as it exists to-day, is really in excess of Indian requirements. It may be said that this is a matter of military efficiency, on which non-official members are not qualified to express an opinion. If I were venturing an opinion on the technical details of Military Administration, I should blame myself for my presumption; but this is a matter of policy, which, I venture to think, all laymen—even Indian laymen—are qualified to understand, and on which they are perfectly entitled to express an opinion. Any one can see that the situation in mid-Asia and on the Frontiers of India has undergone a profound change. And, in view of this change, I think it is due to the people of this country, who have borne this enormous military

burden for a number of years, that some relief should now be granted to them, and thereby funds set free to be devoted to more-useful and more pressing objects. My Lord, military efficiency, as Lord Salisbury once pointed out, must always be relative. It must depend not only on what the Military authorities think to be necessary, but on a combined consideration of the needs of defence and the resources which the country can afford for the purposes of such defence. Judged by this standard, I think that our Military expenditure is unduly high; and I therefore respectfully urge that a part of this expenditure should now be reduced by reducing the troops to the number at which they stood in 1885.

My Lord, my third suggestion is that there should now be a more extended employment of the indigenous Indian agency in the public service. In this connection I am free to recognise the necessity of paying as a rule the Indian at a lower rate of payment than the Englishman who holds the same office. I think this is part of our case. If we insist on Indians being paid at the same rate as Englishmen we cut away a large part of the ground from under our feet. Except in regard to those offices, with which a special dignity is associated, such, for instance, as Memberships of Executive Councils, High Court Judgeships and so forth, where of course there must be strict quality, even as regards pay, between the Indian and the Englishman, there must, I think, be differential rates of payment for the Indian and European members of the Public Service. What is however necessary is that care must be taken not to make such distinctions galling. Instead of the present division into Provincial and Imperial services, or instead of laying down that Indian should be given two-thirds of what the Englishman gets, I would provide a fixed salary for each

office, and I would further provide that if the holder of the office happens to be an Englishman, an extra allowance should be paid to him, because he has to send his wife and children to England, and he has often to go there himself. These have to be recognised as the exigencies of the present situation and they must be faced in the proper spirit. I should, therefore, have a fixed salary for each office; and I would then throw it equally open to all, who possess the necessary qualifications, subject to the condition already mentioned, that an English holder of it should get an extra allowance for meeting extra expenses. Then, when you have to make an appointment, you will have this before you. An Indian—pay, say, Rs. 500 a month—an Englishman pay Rs. 500 *plus* an allowance, say of Rs. 166. If you then are really anxious for economy, you will have to take the Indian, other things being equal.

My fourth and last suggestion is this—that provision should now be made for an independent Audit in this country. My Lord, this is a matter of very great importance and it has a history of its own. In the eighties there was some very earnest discussion on this subject between the Government of India and the Secretary of State. The first proposal on the subject, curiously enough, went from the Government of India themselves; that was when Lord Cromer—Sir E. Baring, as he then was—was Finance Minister of India, and Lord Ripon, Viceroy. In a despatch, addressed by the Government of India to the Secretary of State in 1882, the Government urged that a system of independent Audit should be introduced into India. The whole of that despatch is well worth a careful study. After a brief review of the systems of Audit in different European countries, which the Government of India specially examined, they state in clear terms that

they have come to the conclusion that the system of Audit in this country by officers who are subordinate to the Government is not satisfactory and must be altered. And they insist on two things :—First, that the officer, who was then known as Comptroller General, or as he is now called, Comptroller and Auditor-General, should be entirely independent of the Government of India, that he should look forward to no promotion at the hands of the Government of India, and that he should be removable only with the sanction of the Secretary of State in Council, and secondly, that his position, as regards salary, should be as high as that of the Financial Secretary, and that he should reach that position automatically by annual increments after twenty years' service. The Secretary of State of that time, however, under the advice of his Council which, as a rule, is averse to change or reform, declined to sanction the proposal. He considered that it was not suited to India, that it was not really necessary, and that it would cost a good deal! Curiously enough, however, five or six years afterwards, the same proposal was revived by the Secretary of State for India himself. Lord Cross was then Secretary of State and the despatch in which he reopens and discusses this question is also worth a careful perusal. Like the Government of India of 1882, he too dwells on the unsatisfactory character of the Indian Audit, especially owing to the fact of the Head of the Audit Department being a subordinate of the Government of India, and points out how necessary it is that this officer should be independent of the Indian Government. The proposal was, however, this time resisted by the Government of India, Lord Landsdowne being then Viceroy, and it again fell through. Now, my Lord, I respectfully urge that the question should be taken up once again and the Auditor

General made absolutely independent of the Government of India. In England, the Auditor General submits an annual report on all irregularities, which have come under his notice, to the House of Commons, and the House refers it to a Committee, known as the Committee of Public Accounts, which then subjects the officials concerned to a searching and rigorous examination. As our Council does not yet vote supplies, it will, I recognize, be necessary in present circumstances that our Auditor General's Report should be submitted to the Secretary of State for India, who is the final authority in financial matters. But the Report should be made public, being laid before Parliament every year and being also published in India. Then our criticism of the financial administration will be really well-informed and effective. . At present non-official members can offer only general remarks for the simple reason that they are not in a position to know anything about the details of financial administration. This will be altered, if they obtain the assistance of an annual report from an independent Auditor General.

My Lord, I have done. I want this inquiry to be undertaken for four reasons. In the first place, this phenomenal increase in expenditure demands an investigation on its own account. Economy is necessary in every country, but more than anywhere else is it necessary in India. Certain observations, which were made by Lord Mayo 40 years ago on this point, may well be recalled even at this distance of time. In speaking of the Army expenditure, he said in effect that even a single shilling taken from the people of India and spent unnecessarily on the Army was a crime against the people, who needed it for their moral and material development. Secondly, my Lord, expenditure must be strictly and rigorously kept

down now, because we are at a serious juncture in the history of our finance. Our Opium revenue is threatened with extinction. Thirdly, I think we are on the eve of a large measure of financial decentralisation to Provincial Governments, and it seems certain that those Governments will be given larger powers over their own finances. If, however, this is to be done, there must first of all be a careful inquiry into the present level of their expenditure. That level must be reduced to what is fair and reasonable before they are started on their new career. Last, but not least, we are now entertaining the hope that we are now on the eve of a great expansion of educational effort—primary, technical and agricultural, in fact, in all directions. My Lord, I am expressing only the feeling of my countrymen throughout India when I say that we are earnestly looking forward to the next five years as a period of striking educational advance for this country. Now, if this advance is to be effected, very large funds will be required, and it is necessary that the Government of India should, first of all, examine their own position and find out what proportion of their present revenues can be spared for the purpose. My Lord, these objects—education, sanitation, relief of agricultural indebtedness—are of such paramount importance to the country that I, for one, shall not shrink from advocating additional taxation to meet their demands, if that is found to be necessary. But before such additional taxation can be proposed by Government, or can be supported by non-official members, it is necessary to find out what margin can be provided out of existing resources. This is a duty which the Government owes to the country; and the representatives of the taxpayers in this Council owe it to those, on whose behalf they are here, to urge this upon the

Government. It is on this account that I have raised this question before the Council to-day, and I earnestly trust the Government will consider my proposals in the spirit in which they have been brought forward. My Lord, I move the Resolution which stands in my name.

[By way of reply to the criticisms offered, in the course of the discussion on the above resolution, Mr. Gokhale spoke as follows :—]

The Hon'ble Mr. Gokhale :— My Lord, I must crave Your Lordship's indulgence a second time, because I think I ought to reply to some of the criticisms, which have been offered, before this discussion is brought to a close.

I must begin with my Hon'ble friend Mr. Meston, whose remarks I am almost sorry to criticise in view of the extremely generous reference that he has been so kind as to make to myself. But, my Lord, I must say at once that I am not convinced by what the Hon'ble Member has said, and I am not quite sure how far the Hon'ble Member himself is convinced. I have a shrewd suspicion, my Lord, that if I could have access to some of the notes which my Hon'ble friend, as Financial Secretary, must have been writing from time to time during the last few years, I think I could make a much stronger case in favour of this Resolution than I have been able to do to-day. My Hon'ble friend began by saying that, if expenditure in this country has doubled itself in 35 years, the same thing has happened in other countries. I had almost anticipated this argument, and I therefore carefully avoided comparing the expenditure of this time with the expenditure of 35 years ago. What I did was that I divided the period into four smaller periods and took each time one of these, so that the years compared should not

be separated by too long an interval. In the first place, therefore, my Hon'ble friend must treat the expenditure of other countries in the same way before the analogy can apply. Moreover, let him not forget that this analogy from foreign countries can cut both ways. I am quite willing that this country should provide for a standard of expenditure, such as obtains in other countries, if the Government of India will accept for itself all the responsibilities and all standards of administration that the Governments of other countries have accepted. Let the Government, for instance, to mention only one instance, give us free, universal primary education in this country, and then it will be time for us to consider how our expenditure compares with that of other countries. My Hon'ble friend prefers to take the year 1898, as the starting year for his comparison, to the year 1901-02. I too had thought at one time of taking 1898-99, for the simple reason that that was the commencement of Lord Curzon's administration; but I found afterwards that the year was unsuitable, though it would really have been more favourable for my purpose. I wanted scrupulously to avoid anything that was unfair, and I saw that that year would not do, because it was midway between two great famines, the famine of 1897-98 and the famine of 1899-1900, and the revenue in that year therefore was larger on account of the arrears that were collected from the previous famine. Moreover, as both 1899-1900 and 1900-01 were years of extensive famines, the level of expenditure had no opportunity during those years to rise as it would otherwise have done. As regards my friend's explanation of the increase, the amount of which he admits, I really do not know how to describe it. The explanation comes to this:—I had said that there

had been an increase of 9 millions; 'yes,' says the Hon'ble Member, 'there has been that increase; but it is made up of so much more spent under this head, so much under that head, and so on, the total coming to 9 millions'! Now this would have been a good answer, if I had said that I did not know how or where to find the items, of which these 9 millions were made up. If, for instance, I had said that somebody had walked away with our 9 millions a year, this explanation would have been perfectly sound. Surely the details, which he has given, could have been put together by any one of us from the financial returns of the Government; or if I had experienced any difficulty in that, I could have drawn on the ample courtesy of my Hon'ble friend, on which, as a matter of fact, he has permitted me to draw so liberally during the last few days. To the real question which I have raised, the Hon'ble Member has attempted practically no answer. I will refer only to two items to illustrate the way in which he has been compelled to argue in this matter. The Hon'ble Member says that establishments have been largely increased during the last few years; now that is exactly my complaint. What the Hon'ble Member should have told the Council is—should they have been so increased? He has, however, nothing to say on that point. Again, take the increase under Stationery. The Hon'ble Member's explanation is—'I suppose we have been writing much more than we used to do.' Now, in the first place, I am not so sure about that. If the officials have been really writing much more than they used to do, then they have been disobeying the orders of the Government of India; for one of the orders issued by Lord Curzon during his time was that official writing should be curtailed; and he even took great credit to himself on a subsequent

occasion for having reduced the voluminous mass of official writing. But apart from that, last year, when I raised this very question of increased expenditure on Stationery, my Hon'ble friend Mr. Robertson, who was then in charge of the Department of Commerce and Industry, admitted that there had been a great increase during the last twelve years, the increase amounting to no less than 60 per cent. in 12 years! And he assured the Council that his Department had been making inquiries and he hoped to make substantial reductions. Not a word of this, however, have we heard from Mr. Meston to-day. The last point which I would like to notice in the Hon'ble Member's remarks is about remission of taxation. My Hon'ble friend says that while expenditure has increased a good deal during the last 8 or 9 years, there has also been a remission of taxation of about four millions. Now, my Lord, no one denies this, and I admitted it myself in my first speech. But when the fact is used to convey the idea that the taxpayers have no ground to complain of the increased expenditure, the statement is not quite fair. There has undoubtedly been this remission of taxation, but I want the Council to remember that it was no more than was in common fairness due to the people of this country on account of the savings that the Government effected in the charges on their Home remittances. During the previous ten years, there had been successive additions to the taxation of the country, amounting to about 4½ millions, owing mainly to the continuous fall in exchange. When, therefore, exchange again rose to and steadied itself at 1s. 4d., the Government were bound to return to the people the 3½ millions, saved on their remittance charges, and this was practically all that the Government did by their remission of taxation, on which the Hon'ble Member has laid so much stress.

I will next turn to the speech of the Hon'ble Mr. Brunyate. I really have no quarrel with the Hon'ble Member's statement of the case, as he has placed it before the Council. His argument briefly amounts to this. The country is getting good value for its money. Now I do not dispute that. I feel I am not qualified myself to express an opinion on that subject. Moreover, I recognise that for seven years we had one of the greatest soldiers of our time at the head of the Indian Army and he was specially well-known for his economical administration. It is true that there are those who do not quite accept this view; but that is a matter which must be left to military experts. My question was solely about policy. After the profound change that has taken place in Central Asian and Frontier affairs, is it fair, is it just to the people of the country that the military expenditure should still continue on the same high scale on which it has been incurred all these years? For thirty years and more, our military expenditure has been dominated by the fear that Russia was drawing nearer and nearer to this country. My Hon'ble friend, Mr. Haque, has referred to the Anglo-Russian Convention in the framing of which, as he has reminded the Council, Your Excellency had such a great part. If the Anglo-Russian Convention is a reality, I think we are entitled to the benefit of it, and the only way in which this benefit can be brought home to us is by relieving us of a part of the burden that we have borne for so many years, in order that funds may be set free to spend on primary and technical education and such other objects. In this connection I would like to quote certain observations of Lord Mayo, made 40 years ago. In a celebrated minute, which has been published, Lord Mayo wrote as follows :—

Though the financial necessities of the hour have brought more prominently to our view the enormous cost of our Army (163 crores), as compared with the available resources of the country, I cannot describe fiscal difficulty as the main reason for the course we have taken. I consider that, if our condition in this respect was most prosperous, we should still not be justified in spending *one shilling more* on our Army than can be shown to be absolutely and imperatively necessary. There are considerations of a far higher nature involved in this matter than the annual exigencies of finance or the interests of those who are employed in the military service of the Crown. Every shilling that is taken for unnecessary military expenditure is so much withdrawn from those vast sums which it is our duty to spend for the moral and material improvement of the people.

My Lord, this is as true to-day as it was 40 years ago, and I earnestly trust that something will be done to reduce our present overgrown military expenditure.

I will now say a word in regard to the speech made by the Hon'ble Mr. Madge. I am glad to have his support, even though he offers it in his own way. But one or two things in what he said I must notice. He seemed to imagine that I had given up my criticism of Railway expenditure of last year. Nothing of the kind. I did not bring it up again to-day, because I took the Commercial Services net for purposes of my comparison. My objection last year was not to the construction of railways out of capital, but to the percentage of working charges going up by leaps and bounds without any satisfactory reason. Last year, my Hon'ble friend, Sir T. Wynne, gave the Council a somewhat lengthy explanation; but I am not sure that it satisfied the Council. I understand, however, that the working expenses are being kept down this year. I sincerely hope that this is true. In any case we shall know it soon, when the Financial Statement is presented. Mr. Madge has told the Council that, in his opinion, not a single European soldier in this country can be reduced. This empathic observation was preceded by the statement

that laymen ought not to be dogmatical in these matters. If only the Hon'ble Member had remembered his own counsel, we should have been spared a proposition so extreme as that which came from him. My friend spoke of the recent riots and of troops being requisitioned for service on the occasion. My Lord, it is difficult to take an argument like that seriously. If unfortunately, there was real internal trouble in the country on a large scale, would an Army of sixty to seventy thousand troops suffice to quell it? The Army from that point of view, is either too small or too large. The policy of the Government is to govern the country with the confidence and the attachment of the people. In that view of things, I think it is most unfair that these occasional riots should be brought forward as an argument for maintaining the Army on its present scale. Lastly, the Hon'ble Member has expressed the view that the system of independent audit that I proposed was unnecessary. Well, in this he and I differ which is a small matter. But he should realize that he also differs from some of the greatest statesmen of England, Germany, France and Austria. If he likes that singular distinction, I have no quarrel with him.

My Lord, I now come to the extraordinary speech of the Hon'ble Mr. Gates. For easy confidence that everything is for the best in this best of lands and for the polite suggestion that those who demand an inquiry into how Government spend the money, raised from the taxpayers, are guilty more or less of something approaching presumption, I think that speech would be hard to beat. However, the Hon'ble Member himself has supplied to the Council a part of the explanation of that speech. He has told us that he comes from Burma! But, my Lord, whatever may be thought of the rest of his speech, I do not think

there was any excuse for the Hon'ble Member misunderstanding me on one point. I never asked for a Commission like the Welby Commission. It is true that I mentioned it along with other bodies that have inquired into the administration of Indian finances from time to time, but I distinctly stated that I wanted an inquiry, not by a body sitting at Simla or Calcutta, or in London, but by a Committee that could go round the country, like the Finance Committee of Lord Dufferin. And Lord Dufferin's Committee was the one Committee which really did achieve solid results. That Committee went all over the country, took valuable evidence and submitted within three years its recommendations, calculated to effect a saving of about 60 lakhs, and most of the recommendations were carried out. It is a Committee of that kind, with one or two non-officials put on it, that I want. My Lord, it is quite true that if the Government do not want to enforce economies, the Committee will not achieve anything. Lord Curzon once said in this Council: 'There are inquiries and inquiries; there are inquiries to shelve and inquiries to solve.' If the Government wish to shelve this problem, they will deal with it in one way. If, however, they want to find a solution for it, they will deal with it in another way. What the Committee does or does not do, will depend upon the keenness or otherwise of the Government in the matter. Then the Hon'ble Member asked why it was necessary to refer the question of an independent audit to a Committee of Inquiry. My Lord, I never suggested that it should be so referred. I merely mentioned it as one of the remedies that the situation required. If the Government will themselves examine the proposal and adopt it, so much the better; if the Government do not want to do this, they

may refer it to the proposed Committee. Of course it is open to me, as the Hon'ble Member says, to bring this matter before the Council in the shape of a Resolution. And I certainly will do it, if it becomes necessary. But as to when I should do it, of that I must be the judge. Then the Hon'ble Member said I had adopted an unconstitutional course in bringing this Resolution forward. My Lord, the Hon'ble Member is Financial Commissioner of his Province. I do not know what his views are of the financial relations between the Government of India and the Provincial Governments. But I think he should know that it is only in this Council that discussions of this kind can be initiated. Any matter which refers to all Provinces in common, any matter which involves considerations of policy, with which the Government of India alone can deal, can be raised only in this Council and nowhere else. Comparatively small matters, relating to particular Provinces, may be raised in the Councils of those Provinces. I will not ask if they do even that in the Burma Council. But does the Hon'ble Member imagine that questions like economy in military expenditure, questions even like civil expenditure, involving large policies, such as the wider employment of Indians, can be raised in Local Councils? These questions must be raised here, if they are to be raised anywhere at all in India. One more observation, my Lord, on Mr. Gates' speech, and I will have done with it. The Hon'ble Member spoke of the bloated budget of Bombay, and he suggested that we should look for economies there and not trouble other Provinces. My Lord, if the budget of Bombay is a bloated budget, in any case we pay every penny of it ourselves. We have not lived on other Provinces or on the Government of India for nearly 20 years as Upper Burma has done. When Upper Burma

refunds to the Government of India all that it has drawn from other Provinces, it will be time for it to speak of the bloated budgets of other Provinces.

My Lord, I now come to the last speech, which of course was not the least—that of the Hon'ble Sir Guy Fleetwood Wilson. I am grateful to my Hon'ble friend for the courtesy of his remarks and on the whole for the very friendly tone of his speech. If it had been only the courteous and friendly tone, my satisfaction would not have been so real. When the Hon'ble Member adopts a specially friendly attitude or a specially conciliatory tone, I don't mind confessing that I grow somewhat suspicious. That was my experience last year; while he was giving us verbal sympathy without stint, he was putting on the country tax after tax. However, in consideration of the definite assurance he has given to-day and in deference to what has fallen from him towards the close of his speech, I am quite willing to withdraw this Resolution for this year. I withdraw it for this one year only, because by this time next year we shall be in a position to see how far the Hon'ble Member has been able to carry out what he has practically undertaken to do. And I do this all the more readily because the Hon'ble Member has laid stress on one circumstance, to which it is necessary to attach special weight, and that is the fact that Your Excellency has just assumed the reins of office, and that it is only fair that you should have time to look into this question for yourself. The Hon'ble Member has drawn the attention of the Council to the fact that Your Excellency, if I may repeat what he said without impertinence, has a great reputation for economic administration, and the Council may well leave this matter in Your Excellency's hands for the present. On one point, however, I must express my

dissent from the Hon'ble Member. I do not agree with him as regards the undesirability of the machinery which I have suggested—the machinery of a public inquiry. I think public inquiries from time to time serve a special purpose of their own. Apart from the economies, that may actually be effected as a result of such inquiries, every department is put on its defence, and that in itself is something to achieve. The fact that there is going to be an enquiry, so to say, shakes every department and makes it put its house in order, and that, to my mind, is no small advantage in such matters.

As regards audit, my Hon'ble friend's remarks were highly encouraging. I hope that he means even more than he says, and that it is his official position and his responsibility that have made him use that cautious language. One observation of the Hon'ble Member in this connection, however, calls for a brief comment. I think I caught a suggestion of the argument in his speech that there is a good deal of difference between the condition of India and the condition of Western countries, and that, therefore, what has answered very well there may not answer equally well here. I quite admit that; at the same time it should not be forgotten that this view that an independent audit would do good to India was the view taken successively by the Government of India and by the Secretary of State. The Welby Commission went into this question carefully. It was not able to make a unanimous recommendation, because the Commission was equally divided on the point. One section, headed by Lord Welby, strongly supported an independent audit. The other section, however, opposed it, and, among other arguments, urged that the creation of an audit officer, independent of the Government of India, would lower the

prestige of the Government in the eyes of the people of this country. This, however, is an argument which I think is not worth considering. The man in the street does not understand what an audit officer is for and what are his relations with the Government of India. And those Indians who understand these things also understand why an independent officer is not created, if one is not created. Therefore the non-creation of this officer does not mean any special prestige for the Government, neither can his creation involve any loss of prestige.

My Lord, with these observations, and thanking the Hon'ble Member once again for his very friendly reply, I ask for leave to withdraw my Resolution.

INDIAN TARIFF (AMENDMENT) BILL.

[The Council met on the 7th of March 1911. The Hon'ble Sir Guy Fleetwood Wilson moved that the Bill further to amend the Indian Tariff Act, 1894, be taken into consideration. The Hon'ble Mr. Mazhar-ul-Haque moved an amendment "that the Bill before the Council be taken into consideration this day six months." Mr. Gokhale in supporting the Hon'ble Mr. Haque made the following speech :—]

The Hon'ble Mr. Gokhale : Mr. Vice-President, I desire to join in the protest which my Hon'ble friend Mr. Haque has entered against the course adopted by Government in proposing this reduction of tobacco duties. But before doing so, I would like to offer, if the Hon'ble the Finance Minister will let me, my warm congratulations to him on the most interesting and luminous Financial Statement that he has presented to this Council. I think students of Indian finance will readily recognise that in its exposition of financial principles the Statement is one of the most striking that has ever been laid before this Council, and so far as the far-reaching character of some of its announcements goes it will probably take rank with those few which have now become of historic importance in this country. The Hon'ble Member has been half-way through his tenure of office as Finance Minister, and his last two Budgets had to be framed amidst great difficulties and were adversity Budgets. We all therefore rejoice that this time he has had to frame his Budget under more favourable circumstances, and we do so as much on his own account as in the interests of the public generally.

While, therefore, my feeling for this Budget is one of genuine satisfaction, I must say that I do not regard

all the budgetary dispositions that the Hon'ble Member has made with entire satisfaction ; and I believe the Hon'ble Member himself does not expect any Member to do so. One of the least satisfactory features of this Budget is this reduction of the tobacco duties by about one-third. Last year, if I remember aright, the Hon'ble Member took great credit to himself for his disinterestedness, because he was taxing tobacco though he was a smoker himself. This year, my friend Mr. Haque has gone one better, because, though he loves the cigar very well, he stands up to resist its being cheapened, and he does not even claim credit for disinterestedness. Well, I cannot lay any claim to such disinterestedness as theirs in this matter, because I am no smoker ; but my interest in the question is that of the general public, who, I think, are more interested in cheaper petroleum than in cheaper tobacco. Sir, the Hon'ble Mr. Haque has given expression to a suspicion which is widely entertained that the Government of India are not in this business a willing party. I do not know whether the suspicion is well founded : the Finance Minister will, I hope, tell us about that when he rises to reply. But one has only to compare the emphatic manner in which he insisted on raising these tobacco duties last year and the almost apologetic manner in which he has expressed himself in reducing them—and the contrast between the two is most striking—to realise that the heart of the Finance Department is not in this measure of relief. The Finance Department always loves to dwell with some degree of satisfaction on any relief in taxation which it is able to give to the public. In this case, however, the matter is barely mentioned and then sought to be stowed out of sight as if the Finance Minister would rather that the people did not notice what he has done. Sir, last year, when the Hon'ble

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Member enhanced these tobacco duties, he expressed himself as follows :—

The present taxation—5 per cent, *ad valorem* on manufactured and nothing at all on unmanufactured tobacco—is ludicrously inadequate. In 1907-08 over 6 million pounds of tobacco were imported into India, and all that it paid to Government was £25,000 ; in England it would have paid 40 times as much. What we now propose is a set of rates which, in the case of cigarettes, is represented by Rs. 2 a lb. They may diminish imports for a time, but incidentally they may check the rapid growth of the cigarette habit, which is not without its danger to the rising generation in India.

It will be seen that a reduction in the imports was clearly foreseen by the Hon'ble Member, and the diminished imports, therefore, do not lend much support to the course that he has adopted this year. In now reducing these duties, however, this is what the Hon'ble Member says :—

In discussing the yield of the new taxes which were imposed last year, I mentioned that we had been disappointed in our estimate for tobacco. The sudden rise in duties dislocated the import trade for a time, though it is possible that business would gradually have adapted itself to the new conditions. But we are informed that the rates which we selected have hit severely those particular forms of the tobacco industry in India which depend on an admixture of the foreign with the indigenous leaf. We are also doubtful whether our experiment has given us rates which are likely to combine the maximum of revenue with the minimum of hardship. It has been decided, therefore, to propose a reduction in the duties of about one third all round, and a Bill to give effect to this change will be introduced to-day. On the assumption that it will become law, I have raised the yield of our tobacco duties by about 5 lakhs in the Budget.

The last sentence, Sir, is really quite the most interesting in its own way. As I have already said, the Hon'ble Member had clearly foreseen the reduction in the imports : therefore that could not have come upon him as a surprise. He says, however, that by reducing these duties now it would be possible to raise a higher revenue. I have looked into the figures that have been supplied by the Hon'ble Mr. Meston to Mr. Haque, and from these figures

I find that the yield of the tobacco duties this year is about 30 lakhs. Five lakhs more means 35 lakhs for next year. For the reduced duties to produce this sum, the consumption must increase by about 75 per cent. A small calculation will make that clear. The Hon'ble Member must, therefore, expect that by reducing these duties by one-third he will push up the imports by 75 per cent. Now, in the first place, he has got to explain what has become of his solicitude for the welfare of the youth of this country, as my Hon'ble friend Mr. Haque has called upon him to do; secondly, I would like to know what are the grounds on which he bases this expectation, namely, that if he reduces these duties by one-third, the imports will rise by about 75 per cent. It really looks, Sir, as though there was something more behind, and it is very unfortunate that there should be room for such a suspicion as that. As I have already observed, I hope the Hon'ble Member will disabuse our minds of this suspicion, and if he does this no one will be better pleased than myself. But if there has really been pressure from England in this matter and the Government of India are a mere unwilling party to the reduction, I deem it my duty to protest strongly against such pressure from England. In matters involving large policies the decision must, of course, be with the Imperial Government in England; but in these smaller matters I think that the Government of India ought to be left free. Sir, in another part of his Budget Statement, the Hon'ble Member insists on the fact that in view of the threatened extinction of the Opium revenue the Government cannot afford to relinquish any part of the revenue they enjoy at present. After that emphatic statement, it is rather curious that these tobacco duties should have been selected for reduction this year. If the Hon'ble

Member was in a position to afford relief to anybody, there is no doubt that the consumers of petroleum were entitled to that relief first. I find from the figures about the consumption of petroleum that the imports of foreign petroleum show a considerable diminution. Now petroleum is, as everybody knows, a necessary of life and not an article of luxury, and when the imports of petroleum go down, it means that the poorer people have undoubtedly suffered some inconvenience. If there is less tobacco smoked in the country, I do not suppose any one is any the worse for that; if people smoke inferior cigars and cigarettes, that also is a matter that concerns them alone. The foreign manufacturers are no doubt affected, but we are not concerned with them. But when the imports of petroleum are reduced, that is a serious consideration for the Finance Minister, because that means that the mass of the people are being subjected to a great deal of unnecessary hardship. I find, Sir, that the quantity of petroleum consumed during the year previous to the enhanced duty was about 136 millions of gallons, while that for the current year shows a reduction of about 8 million gallons—the figure for this year is 128 million gallons. Coming to an analysis of the figures, we find that while foreign petroleum has fallen from 62 to 50 million gallons, Burma oil, which pays no duty, has risen only from 74 to 78 million gallons. When these duties were raised last year, it was expected by some that the result of it would be to push up the consumption of Burma oil which pays no duty. But as a matter of fact the rise in the consumption of Burma oil has been only about 4 million gallons as against a fall of 12 million gallons in the foreign petroleum. When these duties were under discussion in the Council some of us urged that one result of the enhancement of the duties

would be to enable the owners of Burma oil to push up prices. I understand from the Hon'ble Mr. Gates that prices had really already been pushed up about a month before the duties were raised by an agreement between the Burma Company and foreign companies. And when the duty was raised and a difference created in favour of Burma petroleum, the Burma Petroleum Company was not slow to take the fullest advantage of the situation to earn extra profits. The enhanced petroleum duties, therefore, ought, in my opinion, to be reduced as soon as possible. In any case, if any relief can be granted, if the Hon'ble the Finance Minister can spare any money, that ought to be devoted to a reduction of the petroleum duties in preference to the tobacco duties.

THE OPIUM FUND.

[On the 7th of March 1911, The Hon'ble Sir Guy Fleetwood Wilson opened the first stage of the discussion on the Financial Statement for 1911-12. The Hon'ble I. L. Jenkins, C.S.I., presided. Mr. Gokhale moved a resolution that the new loan for the coming year be raised by two million £ to be set apart to constitute a new fund to be called the Opium Fund, or, in the alternative, to be devoted to non-recurring expenditure on Education, Sanitation and Medical Relief. In moving the resolution he made the following speech :—]

The Hon'ble Mr. Gokhale :—Sir, I rise to move the resolution which stands in my name and which reads as follows :—

That this Council recommends that the amount of the new loan for next year be raised from £5,925,300 to £7,925,300 and that the extra two millions be set apart to constitute a new fund to be called the Opium Fund, or in the alternative, be devoted to non-recurring expenditure on Education, Sanitation and Medical Relief.

I must at the outset explain to the Council why it is that I have worded my resolution in the manner I have done, and why, when I do not want the loan for next year to be really raised, I appear here as though I wanted that loan to be raised. My reason is that the rules of this Council, the rules which govern this discussion, are to a great extent defective, and till they are so modified the only way in which I can raise the discussion, which I am anxious to raise to-day, is in this roundabout manner. The Council is aware that this year, I mean the year which is about to close, there is a large surplus made up of two parts. There is what the Finance Department calls the opium surplus, and there is the ordinary or non-opium surplus. The total amount of these two surpluses has not

been, in my opinion, stated as it should have been by the Department. The total, as I will proceed to show, is £5½ millions or Rs. 8 crores. A portion of it is hidden away under one head and another portion under another head. And the final surplus, actually shown by the Department, is about £3½ millions. A careful analysis, however, shows that the real total surplus is £5½ millions and not £3½ millions. This surplus is made up of £3 millions under opium, and about £2½ millions under other heads. Out of this 2½ millions, grants have been made to Local Governments amounting to a total £1½ millions sterling. The Finance Department says that the grant of £1 million for education and sanitation has been made out of the opium surplus. I do not see why it was necessary to touch the opium surplus for this grant; there was the ordinary surplus available, and the whole grant could have come out of that ordinary surplus and the opium surplus could have been left intact. That however is a point with which I will deal later. The facts, as they are stated in the Financial Statement, show a surplus of £3½ millions—£2 millions as the surplus under opium and £1½ millions as the non-opium surplus; and what the Finance Minister has done is to devote the two millions opium surplus to the reduction of debt, the remaining £1½ millions going into the cash balances of the country. Now, Sir, my object in moving this resolution is to recover that sum of 2 millions which the Government of India have decided to devote to the reduction of debt. I would like to have that sum back and devote it, in the first instance, to the creation of a new fund, a reserve fund, to be called the Opium Fund. Or, if this proposal is not acceptable by the Council, I would propose that these 2 millions should be devoted to non-recurring expenditure on education, sanitation and medical relief.

Sir, if, under the rules, I could have raised a direct discussion as to the dispositions of this year, i.e., the dispositions in the revised estimates, I should certainly have brought in my motion in a more direct form. But there is a rule which lays down that our resolutions at this, the first stage of the financial discussion, should be confined to any alteration in taxation, any new loan or any additional grant to Local Governments *mentioned or proposed in the Financial Statement* or in the Explanatory Memorandum accompanying it. And the Financial Statement has been defined in the definitions as the budget estimates for the year next following, the revised estimates for the year about to close not being included in the definition. I think the definition requires to be altered, the Financial Statement being made to include not only the budget estimates for next year, but also the revised estimates for the current year. Otherwise all that the Finance Minister has to do is to say nothing in the Financial Statement about any grants to Local Governments, but to start making such grants as soon as the budget discussion is over, and go on making them during the year. By the time we come to the end of the year, all these grants, as already made, will appear in the revised estimates, and they can then, under the present definition, escape the discussion to which we are entitled to subject them. However, the rule being there in its present form, I did not like to take any risks. Possibly, if I had worded the motion in a more direct form, it might have been allowed, as a matter of grace, as I see some other motions have been allowed. But I did not like to take the risk of the motion being disallowed, and I therefore have worded my resolution in this roundabout manner. By this means, I raise the matter under the head of the new loan

for next year. My proposal is that the loan which the Government proposes to raise during next year should be 8 millions instead of 6 millions. This extra two millions will be no increase in reality in our indebtedness because the Government are reducing our debt this year by 2 millions taken out of the opium surplus, and all I propose is that after the new year begins it should again be raised by 2 millions, so that there should be no real change in the debt. My object thus is to recover for the country the two millions which the Hon'ble Member proposes to devote or has devoted to the reduction of our debt, and the actual wording of the resolution is merely a matter of form rendered necessary by the rules as they stand to-day.

Sir, I said at the commencement that our real surplus this year is $5\frac{1}{2}$ millions or 8 crores of rupees. It will be seen on a careful examination of the Financial Statement that there are two series of doles—those doles which the Finance Minister once condemned—which reduce it by $1\frac{1}{2}$ millions. I am not sorry that these doles have been given this year, because they are for purposes which I entirely approve. But I remember the Hon'ble Member expressing himself once somewhat strongly against the policy of doles. The doles this year are a grant for non-recurring purposes, for sanitation and education, of about a million, and another grant to various Local Governments for various objects of public utility, roughly amounting to about three-quarters of a million. The two together amount to $1\frac{3}{4}$ millions. Now, if the whole of this $1\frac{3}{4}$ millions had been taken out of the ordinary surplus, leaving the opium surplus alone, even then there would have been half a million of the ordinary surplus left. What the Hon'ble Member has, however

done is this. He takes 1 million out of the 3 millions opium surplus, and gives it to education and sanitation ; then he takes $\frac{2}{3}$ of a million out of the other $2\frac{1}{3}$ millions, and gives it to various Local Governments for various purposes ; thereby leaving behind a million and a half of the second and 2 millions of the first surplus, or a total resulting surplus of $3\frac{1}{2}$ millions. Now, Sir, I do not understand why he has done all this in this way. The special grant to education and sanitation could as well have come out of the non-opium surplus. The special opium surplus might have been left alone to be dealt with in some special manner—for redemption of debt, as the Hon'ble Member proposes, or for creating a special reserve, as I am going to propose. There was ample margin for both series of grants out of the ordinary surplus, and I do not understand why some money has been taken out of one surplus and some out of the other, and the resulting surpluses, under the two heads shown as they have been in the Statement. However, that does not affect my resolution in any way. I suggest that this opium surplus which stands at 3 millions, though the resolution raises a discussion on only about 2 millions, should be set apart to constitute a new fund which I would call the opium fund or opium reserve or by some such name ; and I further suggest that we should go on adding to it all the additional opium surpluses that the Hon'ble Member or his successor may earn during the next few years, and the fund thus created allowed to accumulate, so that when the opium revenue comes to be extinguished, the inconvenience and dislocation arising from that extinction should be partly met by drawing on this fund ; in other words, that this fund should enable the Government to distribute the inconvenience of the loss of opium revenue over a longer period than would otherwise be possible.

Sir, this question of the disposal of the opium surplus is in reality a most important question, and I would ask the indulgence of the Council while I state why, in my opinion, the course which I have suggested should be adopted. Last year, when I urged that instead of including the whole of the opium receipts in the revenue for a particular year, we should have a sliding scale of a diminishing opium revenue, as that revenue was marked out for extinction, the Hon'ble Mr. Meston, in whom we all are glad to recognise a master of debate, tried to turn the point of my contention against me by saying that that was precisely what the Government were going to do, only he could not reconcile my advocacy of that scheme with my complaint in the earlier part of the debate that the Government had under-estimated the opium revenue. Now, my position at that time was perfectly clear. Sir Edward Baker had stated in this Council three years ago when he first announced to the Council that the opium revenue was doomed, that if the Government of India were allowed to spread the loss of that revenue over ten years, which at that time meant an annual diminution of 50 lakhs, the Government would be able to stand the loss without recourse to extra taxation. And what I meant was that this sliding scale which has been devised this year should have been brought into operation then—not after two years of the excess revenue had been enjoyed by Government and used for ordinary expenditure and after extra taxation had been imposed in order to meet the deficit caused by an uncontrolled growth of expenditure. My contention was that the sliding scale should have been brought into existence when the announcement was first made here in this Council that the opium revenue would disappear in ten years. However,

better late than never, and I am glad the Finance Department has at last introduced a sliding scale; only, instead of an annual diminution of 50 lakhs, it must now be about 85 lakhs, as we have now only seven years in front of us instead of ten. Now, Sir, if the Government could spread the loss of this opium revenue even over the next 7 years, possibly the Finance Department might be able to find annually this margin of 85 lakhs out of the normal growth of revenue, and they might be able to meet the difficulties, that the loss of revenue would create without having recourse to extra taxation. I think this is just possible, though I do not know what may actually happen. But will the Government have the whole period of seven years to distribute this loss over? I think there are many indications that the Government of India will not get seven years, that in the course of four years, possibly even three years, this opium revenue may go. Let us assume that it will go in about three years. It is only wise to be prepared for a contingency like this, as events are clearly moving in that direction. I may say at once that personally I do not regret the prospect of this loss. I have always regarded this opium revenue as a great stain on our finances, because it is drawn from the moral degradation of the people of a sister country. Indeed, I am glad that this revenue will go, and I do not mind having to face the situation which the loss will create. At the same time, I would, in prudence, prepare for the contingency from now. Assuming that the opium revenue is extinguished in the course of three years, what will happen? The sliding scale of the Finance Department assumes a period of 7 more years for total loss. The Department takes for the current year an opium revenue of 7 crores, for the next of 6 crores 15 lakhs, for the year

following that about $5\frac{1}{2}$ crores, and so on. But if the opium revenue is extinguished in the course of three years more, the sliding scale will not carry us lower down than to about 4 crores for the last year, instead of to only 85 lakhs, as would be the case on a seven years' basis. And, Sir, if this happens, as sure as the fact that we are here in this room to-day, the Finance Department will have recourse to extra taxation to fill up the gap. And as I am anxious to guard the country against such a course, I bring forward my proposal for the creation of an Opium Reserve Fund to-day.

My proposal, Sir, is this. The additional Opium revenue by which I mean the excess over the sliding scale—which is 7 crores for the current year, 6 crores and 15 lakhs for the next year, and so on—is rendered possible solely by the fact that the opium traffic is threatened with extinction and that the Chinese consumers are therefore prepared to pay fancy prices for the drug while it can be had. The very threatened extinction, therefore, is producing the surplus at present, and it is only proper that the surplus should be utilised in order that the dislocation of our finances, when the extinction does come, should cause as little inconvenience to us as possible. What I urge therefore is this. This surplus, over and above the sliding scale, should be put aside year after year. We have 3 millions this year, we might have, say, 2 millions next year, and, say, another 2 millions during the following year, and at the end of the 3rd year let us suppose that the opium revenue suddenly disappears altogether. According to the sliding scale, the 4th year will require an opium revenue of $3\frac{1}{2}$ crores, the 5th year about $2\frac{1}{2}$ crores and so on. Meanwhile our Opium Reserve Fund will amount, during the next three years, to 7 millions. If we

have such a Fund, we can draw on it to fill up the gaps for the 4th, 5th, 6th and 7th years, and thus obviate a recourse to extra taxation. Thus by creating this opium reserve, we shall be able to spread the whole loss over 7 years—the period which the Government of India are anxious to spread it over—even if the actual extinction takes place in three years. Of course, if you devote this money to the reduction of debt now, and if the Government will borrow when the need arises to fill up the gap for purposes of current expenditure, then I do not press my proposal. I recognize that there is no special merit in a separate fund. But the Government has never so borrowed. The Government will never borrow for recurring purposes even temporarily especially when the prospect is to have to borrow for a number of years; and I am quite sure, if a proposal to borrow is made by any Member in those circumstances, we shall have sermons in this Council from the Finance Minister about the un-wisdom and impolicy and extravagance of borrowing for ordinary purposes. Therefore if the opium revenue is extinguished in, say, three years—and it is by no means improbable—while the surpluses during the three years will be devoted to a reduction of debt, when the threatened extinction comes, instead of again borrowing to the extent of the reduction effected, the Government will impose extra taxes. If, however, the Government have this opium reserve at their side, there will be no excuse and no justification whatsoever for the imposition of extra taxes. Of course, I do not object to extra taxation for other purposes. But, other things being equal, I do not want any extra taxation to meet the loss of the opium revenue. Sir, it may be said that, after all, a reduction of debt is a most excellent object, and as the future may well take care of itself, the Finance Minister is

justified in devoting his surpluses to a reduction of debt, thereby leaving his successor the burden of a smaller debt. If the debt of this country—I mean the ordinary debt—had been a huge debt, similar to the mammoth debts of Western countries, I would have understood such a course, and I would not have opposed this policy as I am doing now. But what is our unproductive debt? I think an enquiry into this question is useful in view of what the Finance Member says in his Financial Statement. He says there that two millions will be devoted to a reduction of debt, because thereby our credit would be strengthened. With all deference, Sir, I beg leave to say that in speaking thus he is merely using a Western formula—a formula which in India has no application because of the trifling amount of our debt. Sir, what is the amount of our debt? Our total debt is made up of various component factors. There is the permanent or funded debt. There is the temporary or unfunded debt. And there are various funds with the Government, such as savings banks deposits, service funds, special loans, judicial deposits in courts, and so forth. Against this the Government have their Railways and Irrigation works, their loans and advances to Local Bodies, Native States and cultivators, and their cash balances. Deducting these latter from the total debt, what remains is the true ordinary or unproductive debt. Now, taking the figures for 1907-08, and bringing them up to date, we find that in 1907-08 the permanent debt in India was 88·55 millions; the permanent debt in England was 156·48 millions, or, in the two countries together, 245 millions. That was the funded permanent debt in that year. The unfunded debt in that year was only 1 million. Then about 20 millions represented special loans, service funds, savings banks deposits, departmental and judicial

deposits and miscellaneous obligations of the Government, or total liabilities of 266·28 millions or 400 crores of the liabilities of the Government. As against this, the Government of India had in that year 177·7 millions invested in Railways and 29·87 in Irrigation Works, or a total of 207·57 millions under the two heads together. The Railway debt was earning about 5 per cent., the Irrigation debt about 7 per cent. Therefore it was really no debt at all in the sense in which the term debt is used. That accounted for 207 out of 266 millions. Then the loans and advances by Government to various Local Bodies, Native States and cultivators amounted in that year to 13 millions and the cash balances were 18·6 millions. Thus, 239 millions out of 266·28 millions represented the investments and cash balances of the Government, leaving only about 27 millions of real unproductive debt for the country. This was in 1907-08. Since then the position has undergone some deterioration. Of course there has been additional borrowing for Railways and Irrigation; but we need not take that into account since Railway and Irrigation investments are earning 5 and 7 per cent. interest respectively. But there was a deficit in 1908-09 of 3·74 millions. In 1909-10 there was a surplus of '61 million, and this year, excluding the opium surplus of 3 millions, there is still a surplus of '49 or half a million. The position therefore during the last three years has undergone a deterioration by about 2·64 millions, and we must add that to the figure for 1907-08 to find the total unproductive debt at the present moment. This comes to 29·7 millions, say 30 millions. Or, if the Finance Minister will prefer it, I am prepared to take the funded unproductive debt, as it appears in our accounts, which is 37 millions. That means making a present of about 7 millions to the Hon'ble

Member ; but I will do so and will take 37 millions, for the purposes of my argument. Now, Sir, what is a total unproductive debt of 37 millions for a vast country like India ? What is such a debt compared with the huge debts of other countries ? And is the reduction of this trifling debt a matter of such paramount importance that everything the Finance Department can lay hands on should be devoted to this reduction to the practical exclusion of all other useful objects, as has been done during the last 10 or 12 years ? Sir, my protest against this policy of the Government has been a long-standing one. Year after year, for the last ten years, I have been raising my voice in this Council against this policy ; but so far without much effect. How does our unproductive debt compare with that of other countries ? In England, at the present moment, you have a national debt of over 700 millions, corresponding to our unproductive debt. In France it is over a thousand millions. In several other countries it is four to five hundred millions. Even in an Eastern country like China it is about 110 millions, though the annual revenue of China is much smaller than ours. The Hon'ble Member speaks of the necessity of strengthening our credit. If we look at the rates of interest at which different countries borrow, it will be found that our credit is exceedingly good.

The bulk of our debt is at 3½ per cent. whereas Japan borrows at from 4 to 7 per cent. Russia borrows at about 5 per cent. Turkey borrows at 5 per cent. and over ; China borrows at between 4 and 7 per cent., 4 per cent. in a few cases, 6 and 7 per cent. being the usual rate. Even Italy borrows at a higher rate than India, the bulk of Italy's debt being 3½ per cent. I therefore contend that our credit is excellent, and I think the Hon'ble Member need not be

in a hurry to improve it still further. Moreover, when a debt is as small as ours, credit is strengthened by its diminution only theoretically. I do not say that our debt should be left where it is. I am quite willing that there should be some provision for a regular reduction in the ordinary debt of the country. I am quite willing that there should be a Sinking Fund of a definite amount ; but when the requirements of such a fund are provided, all money out of the revenue over and above it should be devoted to pressing objects of public utility, such as education, sanitation, medical relief, and so forth. Now, Sir, if we examine next year's Financial Statement, we shall find a sum of 2 crores already devoted to the reduction of debt, i. e., already serving the purpose of a Sinking Fund. Seventy-five lakhs are provided under the head of Famine Relief and Insurance to avoidance or reduction of debts ; and under Railway expenditure we have a sum of over £800,000, or about 1½ crores, devoted to the redemption of Capital ; and according to our system of accounts that finally shows itself as a reduction in our ordinary debt. Therefore we have 1½ crores under Railway Capital expenditure and three-quarters of a crore under reduction or avoidance of debt, or, roughly a sum of 2 crores devoted to reduction of debt. I am quite willing that this should be a standing Sinking Fund. If, in any year, the Government cannot afford these 2 crores, I am willing that the deficiency should be a first claim on the surplus of succeeding years. If further, there is any deficit in any year, that deficit should be a first claim on the surplus of the years that follow. But when you have provided for this Sinking Fund and for covering ordinary deficits, I think all money, in excess of that, should be devoted to non-recurring expenditure on those objects with which the

moral and material well-being of the people is intimately bound up. Sir, a Sinking Fund of 2 crores a year is four times as large as what rich England is providing for her to-day. The total debt at present is about 750 millions. Between the Crimean War and the South African War, England reduced her debt by about 200 millions. It was about 836 millions at the close of the Crimean War. It was about 635 millions at the beginning of the Boer War. In other words, England reduced her debt during the interval by 200 millions or 5 millions a year. This means a Sinking Fund of a little over $\frac{1}{2}$ per cent. on the first debt. During the last 8 or 9 years they have reduced the debt from over 800 millions—the figure at the close of the Boer War—to 750 millions, a reduction of about 50 millions; that amounts to about 1 per cent. on the first debt. Therefore, you find that in a wealthy country like England the Sinking Fund does not exceed about 1 per cent. of the debt. Here, in India, I am willing to allow 2 crores annually to get rid of our small debt of 37 millions. This means a Sinking Fund of 4 per cent. as against 1 per cent. in England. Surely the Hon'ble Member should be satisfied with this, and all money over and above this amount ought to be available for other pressing purposes which require large outlay very badly. Sir, for these purposes—Education, Sanitation and Medical Relief—while a great deal of recurring expenditure is, no doubt, necessary; there is also a vast amount of non-recurring expenditure absolutely required. And the need is most urgent. Seven out of every 8 children are growing up in India in ignorance, while the State in every other civilised country has made the free and compulsory education of its children one of its primary duties; 4 villages out of 5 in this country are without a school. Then sanitation throughout the coun-

try is in a most neglected condition. The death-rate, already high, is growing higher and higher ; the latest figures show that the death-rate is now over 38 per thousand. For providing school-buildings for primary schools, hostels, for secondary schools and colleges, for initial outlay on technological institutions, for drainage and water works, an enormous amount of money of a non-recurring character is required, and there can be no more beneficent expenditure of public money after a Sinking Fund has been provided. My proposals, therefore, are these : I propose, in the first place, that the opium surpluses, over and above the figures of the sliding scale, should be set apart to constitute a new fund to be called the Opium Fund. In the event of this proposal not being accepted, I propose that the whole of such surpluses should go to meet non-recurring expenditure on Sanitation, Education, and Medical Relief instead of being devoted to a reduction of debt. At the same time I propose that a Sinking Fund of a definite amount should be created, and that all sums over and above that Sinking Fund should be applied to the objects I have mentioned. Sir, I move the resolution which stands in my name.

[At the end of the debate on the resolution on the Opium Fund, by way of reply, Mr. Gokhale spoke as follows :—]

The Hon'ble Mr. Gokhale :—Sir, I should like to say a few words in reply to what the Hon'ble Mr. Meston has said, before this resolution is put to the vote. The Hon'ble Member began by giving me credit for sleight-of-hand and feats of jugglery of which I have considered myself more or less innocent. However, I should like to know where the sleights-of-hand and the jugglery have come in. So far as the two surpluses, the Opium surplus and the non-Opium surplus, are concerned, I only wanted

to know why the Department had set apart one million for Education and Sanitation from the Opium surplus instead of from the other surplus in which there was a margin for it. The Hon'ble Member could then have kept the whole of the 3 millions of Opium surplus intact. He could still have given us the money for Sanitation and Education ; he could still have made those grants to Local Governments of about a crore and four lakhs for various specific purposes, and yet he would have had a non-Opium surplus of half a million. I wanted to know why, instead of adopting this simple course, the other has been adopted by the Government ; but no answer has been forthcoming to that ; and instead of giving the explanation asked for, the Hon'ble Member describes my presentation of figures as a feat of jugglery. However it is a small matter, and may well rest where it is.

So far as the policy of providing a sliding scale of diminishing revenue for Opium is concerned, I entirely approve of it. I suggested that course myself last year, and I am convinced that that is the only safe and sound course. The question is, what is to be done with the surplus that you get over and above the revenue of this sliding scale ? The Hon'ble Member said the Government would devote this excess just now to reduction of debt, and, when the time comes, they would consider what they should do—whether they should again raise their unproductive debt or adopt such other means as in their wisdom and with the advice of the Council they might think proper—which means impose additional taxation, which they are sure to do. Sir, I have been following Indian finance for the last 25 years with some interest, and if I know one thing, it is this. Whenever there is a deficit, the occasion is straightaway utilised by the Government for imposing

additional taxation ; but, on the other hand, surpluses have been rarely followed by a remission of taxation. It is only when it becomes absolutely impossible to maintain the old level of taxation any more, that remissions are granted to the people, and that very tardily. The reason for this is obvious. The Department does not care to relinquish its hold on the money, if it can help it. Public opinion in the country is weak. There are no electors here to win over, to placate, or to please, and the Government, having the money, do not want to let it go.

Sir, the Hon'ble Member has said a good deal as to the form of my resolution ; but I really think he need not have spent so much of his energy on it. He knew quite well what I had in my mind, and indeed, last year, it was he himself who put me in the way in this matter. I was then in a difficulty as to how to raise a similar question, and the Hon'ble Member came to my rescue and pointed out to me how I could get round the rules and raise the discussion. I then followed his advice and was very grateful to him for it ; and all I have done this year is to adopt the same course again. He knew what I had then in view, and he knows what I have in view to-day ; and therefore all that he has said just now about not raising any more loans, about the inadvisability of adding to our indebtedness, was really somewhat unnecessary.

Then, Sir, the Hon'ble Member says that, in the opinion of the Finance Department, with its conservative view in this matter, a reduction of debt is the wisest policy to pursue in such circumstances. Our debt, however, is extremely small, and my question is, how much do you want annually, as a sinking fund, to reduce this debt still further ? Next year, for instance, you have already provided 2 crores for the purpose out of the ordinary revenue

of the country. Are you not satisfied with that? Do you want 3 crores, 4 crores or 5 crores every year in order to reduce this debt of 37 millions? The Hon'ble Member has not attempted any reply to that. Of course a small debt is a most convenient thing for official speakers on the subject of Indian finances. It provides exceedingly good material for glowing periods to adorn the perorations of official speakers on the subject of the management of Indian finance whether here or in Parliament. But that is hardly any consolation to us who want so much money in so many directions for those pressing and all-important objects that I have mentioned. As to whether we can spend large sums on non-recurring purposes usefully, I think the Hon'ble Member may ask the Hon'ble Mr. Butler. After the Conference that we had at Allahabad recently, I am quite sure that the Hon'ble Mr. Butler would at once give him a programme that would show that not one but 10, 15 or even 20 millions could be usefully employed as non-recurring expenditure in the directions I have indicated. It is quite true that two years ago we had a deficit. But is that a fair way of putting it? We had a deficit two years ago; but the deficit came after 10 years of surpluses. Why does the Hon'ble Member take 1908-09 as the starting point? Why does he not take a point two or three years before that? You had 10 years of surpluses during which period you realized—you will find, if you will refer to the returns—a total of about 26 millions as surpluses. After 26 millions of surpluses had been realized you got one year of a deficit of 3·74 millions; after which you again have two small surpluses. And you insist on making up for the one deficit by devoting to paying it off succeeding surpluses, regardless of the fact that there have been 26 millions of surpluses behind. I

only means that whenever you have money, you want to devote it to the reduction of debt, because somehow that is the ambition of every Finance Minister ; and when you have a deficit, you keep that deficit before the public till you are able to get some more money to wipe it off. I really think, Sir, that the country has a right to complain of this policy. I am speaking of the general policy followed year after year in this matter, not of the policy adopted in this particular Budget. I have already expressed my great satisfaction as to some of the principles laid down and the dispositions made in this Budget. We are grateful to the Hon'ble Finance Member for what he has done, for he has done what we did not succeed in inducing any previous Finance Minister to do. He has given us a million for Education and Sanitation, and those of us, who have been raising our voice in favour of such a grant year after year these several years, surely we are not likely to be wanting in gratitude to the Hon'ble Member for this. But the Hon'ble Member does not yet go far enough. One million is good, but three millions would be better. If he would set apart these 3 millions to constitute an Opium reserve, then I do not want them for the other purposes mentioned ; but if you are going to use the money for reducing debt, we deem it our duty to protest. As my friend, Sir Vithaldas Thackersey has pointed out, if you devote 2 crores a year to the reduction of debt, you would be able to wipe off the whole amount in the life-time of a single generation. My friend was not right about the 75 lakhs. The total amount under Famine Insurance is 150 lakhs, of which half is devoted to protective irrigation, when there is no demand for actual famine relief, and the other half, that is, 75 lakhs, is devoted to a reduction or avoidance of debt. Therefore, the sum is generally available

for reducing debt along with the amount that is provided for the redemption of Capital under Railways.

Before resuming my seat I would request you, Sir, to put the resolution to the vote in two parts, under rule 16. Rule 16 says "if any resolution involves many points the President at his discretion may divide it so that each point may be determined separately." I recognise the force of some of the observations of the Hon'ble Mr. Madge. There may be other Members who would be willing to support me in my proposal about an Opium Reserve Fund, but who would not care to have the whole of the money assigned to Education, Sanitation and Medical Relief. I am therefore quite prepared to ask, Sir, that you, in your discretion, may put the two parts of this resolution to the vote separately; namely, first, that the 2 millions be devoted to the creation of an Opium Fund; and, if that fails, then that it should be devoted to Sanitation, Education and other purposes.

SUBSIDY FOR VERNACULAR PAPERS.

[On 8th March 1911, the Hon'ble Mr. Basu moved a Resolution in the Imperial Legislative Council recommending that the special grant to the Government of Bengal be reduced by the sum of Rs. 55,000, the amount which the Government of Bengal had promised as subsidy towards a Vernacular paper to be started in Bengal. In supporting the Resolution, Mr. Gokhale spoke as follows :—]

Sir, I wish to say a few words in support of the Resolution which my Hon'ble friend Babu Bupendranath Basu has placed before the Council. I wish to support this Resolution, first, because, there is a report abroad that other Governments, besides the Government of Bengal, intend to follow suit, and secondly, because, though this matter concerns, in the first instance, Bengal alone, still there is a large principle involved in this question, and I think it is as well that that principle should be discussed from all points of view. But, Sir, before I say what I have to say on the subject, I would like to prevent, if possible, an injustice being done to the gentleman who has come forward at the instance of the Bengal Government to undertake this work. I refer to my friend Rai Narendra Nath Sen Bahadur. I am anxious that no wrong impression should go forth from this Council Chamber about the intentions or motives of the Rai Bahadur, or about the terms on which he has accepted this work from the Government. Rai Narendra Nath Sen Bahadur is one of the veteran journalists and public men of this country, and many of us, including, I am sure, my friend Mr. Basu, have held him in the highest respect for all the time that we have been in public life. And I feel bound to say this

for Rai Bahadur Narendra Nath Sen that among the public men of the country he is second to none in straightforwardness, in courage, and in strength of conviction; and it must also be recognized that he has laboured long and incessantly for the welfare of the country. I am quite sure, therefore, that the description of a "paid pack" is the very last that can ever be applied to Rai Bahadur Narendra Nath Sen. At the same time I must say that the Rai Bahadur has undertaken a task which is beyond the power of any human being. If the Government are anxious that misrepresentations of their acts and intentions, which, from time to time, appear in the Vernacular Press, should be corrected promptly—a desire which I can understand and with which I largely sympathise—whatever other course might be effective, this certainly is not an effective course. Far better that the Government should have an organ of its own, an open State organ conducted out of State funds and issued as a State publication. Or there are other possible ways, to one of which I will presently refer. But the course actually adopted by the Bengal Government is about the worst that could have been adopted, and I am quite sure that it will be found to be absolutely ineffective in practice. However high may be the character or the motives of a man who comes forward to conduct a subsidized paper, there can be no question about the fact that so far as the bulk of the readers, i.e., of the public, is concerned, there will always be an impression that the opinion expressed in the paper is not an independent opinion. And in the present case, for one man who knows Rai Narendra Nath Sen Bahadur personally, 99 will only judge him from appearances. When it is known that the paper depends for its existence upon a large subsidy from the Government no further proof will

be required by most people to discredit the paper and, along with the paper, all that appears in it.

I have said, Sir, that I can quite understand the desire of the Government that they should have a few friends at least in the ranks of the Vernacular Press—papers that will give them fair play, papers that will assume the best, till the worst is proved. I quite recognise that situations sometimes arise when this desire may be strongly felt by the Government. But I am firmly convinced that the only way in which a real remedy can be found for such a state of things is by working for a general improvement in the situation of the country. Some of the remedies proposed, from time to time, may go some way. A State paper, for instance. Such a paper would have certain advantages over a subsidised paper conducted by a private individual. As my Hon'ble friend Babu Bupendranath Basu has pointed out, how are the opinions of a subsidised paper to be regarded? Nobody will think that the opinions there have the weight which would be attached to a pronouncement from Government; for it will always be doubted if the editor of such a paper would be really taken by the Government into its confidence. Then there will be views about social questions and religious questions, about which Government is bound to observe an attitude of neutrality. Even in political matters, the paper will not represent the views of Government. Rai Narendra Nath Sen Bahadur, for instance, is not the man who will conceal his views where he feels strongly. Are the Government prepared to accept the responsibility for the views which he expresses? If not, why should the Government come forward and spend Rs. 62,000 in supporting a paper, the social and religious views of which it cannot accept and the political views of which it may not be prepared to accept?

As I have already observed, far better that the Government should issue a State publication of its own. Then it will at least avoid all religious and social questions; it will also avoid ordinary political controversies. Whenever it notices misrepresentations about its intentions in the Press, it will correct these misrepresentations and the public will know authoritatively what the Government have to say.

But, Sir, there is another way, which perhaps would be better than a direct State organ. The Government might, without directly coming into the field, get some of its more pronounced friends or champions to undertake the work. There is, I understand, a body here, called the 'Imperial League,' of which my friend, the Maharaja of Burdwan, is a distinguished member. The other day, when this body waited in deputation on the Viceroy, His Excellency made a suggestion that the members should not confine themselves merely to presenting addresses to departing and incoming Viceroys. And I am quite sure that the members themselves take the same view of their responsibilities. And they would, no doubt, be glad to come to the support of Government, especially when a serious question like this has to be solved. Many of the members of the League are very wealthy men, and, if a suggestion were made to them, it is more than probable that they would come forward to start an organ of their own—an organ that would actively combat the views that are circulated in a section of the Vernacular Press. The paper will, of course, represent the views of certain wealthy gentlemen in the country only, but they will be men who have a stake in the country, as we are often reminded, and their views will be free from all those objections which may be urged against a subsidised paper, since there will

be no Government money behind it. I think in many respects this would be a far more effective course to take than either a directly subsidised paper or even a State organ. But, when all this is said, I really do not believe that any of the courses will really achieve anything very much. The attitude of the Vernacular Press, deplorable as it may at times be, depends largely on a number of circumstances. For one thing, the normal relations between the English and the Indians in the country determine it; and the special questions which for the moment may happen to agitate the public mind also largely influence it. And then there are the writings in the columns of the Anglo-Indian Press. What happens very often is that writers in the Vernacular Press take up the articles or attacks in the Anglo-Indian papers and reply to them. The officials, who read these replies, apply them to themselves, because the writers in the Vernacular Press often express themselves generally against Europeans as such, taking the Anglo-Indian Press to represent European views. And the real remedy for this state of things is neither a subsidised paper, nor a State paper, nor even a private organ, specially started by influential men, but a sustained and statesmanlike effort on both sides to bring about a general improvement in the relations between Englishmen and Indians in India. But whatever may be thought of this view, there is no question that the Bengal Government have made a great mistake, and I earnestly hope that a similar mistake will not be made by other Governments. Bengal has been fortunate in getting Rai Bahadur Narendra Nath Sen to undertake the work. Those who know him will not need to be told that he will not express any opinion which he does not himself hold. But other Governments may not be equally fortunate. They may choose individuals for the task who have not the same prestige and the same qualifications as Mr. Sen possess, and then may be most mischievous.

EXCISE COTTON DUTIES.

[On 9th March 1911 the Hon'ble Mr. Dadabhoy moved a Resolution in the Imperial Legislative Council recommending the abolition of the countervailing excise duty upon cotton goods manufactured in India. Mr. Gokhale, in supporting the Resolution, spoke as follows :—]

Sir, I rise to accord my support to the resolution which my Hon'ble friend Mr. Dadabhoy has moved, though I do so on grounds somewhat different to those on which he and some of the other speakers who have followed him have based their case. I approach this question, Sir, not from the standpoint of the representatives of the mill industry but from that of a member of the general community. It is well known that when these excise duties were imposed about fifteen years ago, there was a feeling of deep and universal indignation throughout the country, and this indignation was caused by four reasons. Those reasons have been well brought out by the Hon'ble Mr. Dadabhoy in his able speech, and I will, therefore, refer to them only very briefly. The first reason was that the mill industry was at that time in a state of continued depression. The second was that the industry had been hit hard, for the time, at any rate, by the currency legislation of the Government. The third was that the duties were imposed not because the Government of India or the Secretary of State thought it desirable to impose them, but because Lancashire dictated that these duties should be so imposed; and the Government of India made no secret that they were not a willing party to that transaction. Lastly it was believed that the action of Lanca-

shire in putting pressure on the Secretary of State, and through him on the Government of India, to impose those duties was due not to the fact that there was any real competition between Lancashire and India, but because Lancashire, already uneasy at the strides the mill industry had made in this country, wanted to handicap that industry in regard to its further progress. It was well known that the imports from Lancashire were practically all of them of higher counts, whereas the production of the Indian mills was confined at that time to lower counts and there was really no question of competition between the two. It was these reasons that lay behind the extreme irritation and sore feeling caused, when these duties first came to be imposed upon us.

I think it is necessary now in the interests of a fair discussion of this question that we should consider if the position has in any way been modified, and, if so, to what extent, in regard to these four circumstances. Taking the first circumstance, we find that there is again a depression in the mill industry; but it is necessary to remember that during the interval a great wave of prosperity has passed over the industry, and that makes some difference in the situation. As regards the currency question, I think things have had time to settle down on their new basis, and therefore the injury, which the currency legislation had temporarily done to the industry, cannot now be specially urged as a reason for removing the excise duties. The third reason remains in its full force, *viz.*, that these duties were imposed at the bidding of Lancashire. That remains in full force, and whenever the circumstance is re-called to the public mind, there is even now a feeling of indignation experienced by the people of this country. Finally, the last argument has lost

some of its force—I think it is only fair to acknowledge that—because the Indian mills have now gone in for higher counts to some extent—though it is still a small extent only—and to that extent competition has come into existence between the productions of Lancashire and those of the Indian mills. Therefore, Sir, the position to-day is not exactly the same as it was fifteen years ago, and the question must be considered afresh, before we can take the same stand that we did fifteen years ago in this matter. I may mention that I myself more than once brought this question forward during Lord Curzon's time in this Council and urged the repeal of these duties; but that was before the great wave of prosperity, to which I have already alluded, passed over the industry—a wave that has to some extent modified the situation.

I think the question must be considered from two points of view: the first is the financial aspect, and the second, the larger aspect of economic policy, including the question what kind of economic policy is good for India. Taking first the financial aspect of the case, it is necessary to bear in mind that all great authorities are agreed on this, that revenue duties must not be subjected to the rigorous canons of Free Trade. As my friend Mr. Dadabhoi pointed out, even Mr. Gladstone—one of the greatest apostles of Free Trade and certainly the greatest statesman of the nineteenth century that England produced—complained of the application of Free Trade principles to this country in all their rigour and ‘without a grain of mercy.’ Therefore, revenue duties must not be judged by the standard by which ordinary protective duties may be judged. Again, as Mr. Dadabhoi has pointed out, we had at one time as high a range as 10 per cent. of import duties on cotton goods and yet they were then allowed to

